Lincolnshire
POLICE & CRIME COMMISSIONER
SAFER TOGETHER

Financial Statements

2016/17

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Police and Crime Commissioner for Lincolnshire
PCC Group and PCC
Statement of Accounts 2016-17
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Introduction to the Financial Statements

I was elected to serve by the people of Lincolnshire as Police and Crime Commissioner (PCC) in May 2016. The PCC's primary functions are to secure the maintenance of Lincolnshire Police and secure its efficiency and effectiveness. I must also hold the Chief Constable to account for a number of duties. The primary legislative provisions setting out the PCC's obligations are the Police Reform and Social Responsibility Act 2011, the Policing and Crime Act 2017 and the Police Act 1996.

All the financial transactions incurred during 2016/17 for policing Lincolnshire have been recognised and recorded in this Statement of Accounts. The statement sets out the financial performance and financial position of the PCC and the Group (PCC and Chief Constable) as at 31 March 2017 and how the financial position has changed over time. Whilst these statements are issued by the current Police and Crime Commissioner, my predecessor, Alan Hardwick, held office as the PCC for Lincolnshire from April 2016 until I took office in May 2016.

The PCC has the legal power and duty to set the strategic direction and objectives of Lincolnshire Police through the Police and Crime Plan and must also scrutinise, support and challenge the overall performance of the Force against the priorities agreed within the Plan.

I issued my first Community Safety, Policing and Criminal Justice Plan for the period 2017 – 2021 in March 2017. It is built around four key principles:

- community safety and prevention in partnership;
- listening and responding;
- protecting and supporting victims and the vulnerable; and
- policing that works.

I was delighted with the calibre of applicants who applied to be the new Chief Constable for Lincolnshire following Neil Rhodes' retirement after 31 years of dedicated service and was equally pleased to appoint an outstanding candidate to the role. Bill Skelly, who joins us from Devon and Cornwall Police, comes with impressive experience of working across the UK, and is already having an impact.

Lincolnshire Police's overall performance continues to be good when compared to other police forces. The context of challenging finances continues, with the election delaying proposed changes to the funding formula. I will continue to take the fight for sustainable funding to Whitehall and have had many positive discussions with both ministers and civil servants over the last year.

Despite this uncertainty and Lincolnshire Police's position as one of the lowest funded Forces in the country, it continues to innovate and look to secure best value for money from the available funds. Our Bluelight collaboration project, which will enable all emergency services in Lincolnshire to work more closely together to meet the needs of communities more efficiently and effectively, is making good progress, funded in part from a grant of £7.5 million from the Government's Police Innovation Fund.

Lincolnshire Police remains one of the lowest cost police forces in the country providing value for money for the taxpayers of Lincolnshire and the communities it serves. My annual report is available at https://lincolnshire-pcc.gov.uk/transparency/what-our-priorities-are-and-how-we-are-doing/annual-reports/

Roles and responsibilities

The Commissioner and the Chief Constable have specific roles and responsibilities as determined under the Police Reform and Social Responsibility Act 2011. The Commissioner provides a link between the police and the community, he sets out the strategic policing and crime priorities and objectives through the publication of a Police and Crime Plan and also sets the policing and crime precept. The Chief Constable is operationally independent of the Commissioner but must have regard to the Commissioner's Police and Crime Plan.

The Statement of Accounts

The 2016/17 Statement of Accounts is prepared in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting 2016/17. The accounts reflect the current legislative framework as well as the local arrangements operating in practice. Key elements of this framework include:

- the Police Reform and Social Responsibility Act 2011 (the Act);
- the Home Office Financial Management Code of Practice for the Police Service of England and Wales 2013; and
- the Commissioner's Governance Arrangements including Financial and Contract Regulations.

Further information about the Financial Statements is available from:

PCC's Chief Finance Officer
Police Headquarters
Deepdale Lane
Nettleham
Lincoln
LN2 2LT.

In addition interested members of the public have a statutory right to inspect the accounts before the audit is completed. The availability of the accounts for inspection has been advertised in the local press.

Marc Jones
Police and Crime Commissioner for Lincolnshire

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Annual Governance Statement

This section details the Police and Crime Commissioner for Lincolnshire's governance arrangements in operation during 2016/17 including plans for the financial year 2017/18.

Introduction

Good governance is about how organisations ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open and accountable manner. It comprises the systems, processes, culture and values by which organisations are directed and controlled, and through which they account to, engage with and, where appropriate, lead their communities.

All Police and Crime Commissioners and Chief Constables are required by regulation to produce an Annual Governance Statement (AGS). This is a document which accompanies the statement of accounts and describes how effective our governance arrangements have been over the last 12 months and sets out areas for development.

Scope of Responsibilities

The Police and Crime Commissioner for Lincolnshire ("the Commissioner") is responsible for ensuring his business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

The Commissioner has a duty under the Policing Protocol Order 2011 to secure value for money on behalf of the public that he serves.

In discharging this overall responsibility, the Commissioner is required to put in place proper arrangements for the governance of his affairs and which facilitate the exercise of his functions, which includes ensuring a sound system of internal control is maintained through the year and that arrangements are in place for the management of risk. In exercising this responsibility the Commissioner places reliance on the Chief Constable of Lincolnshire Police to support the governance and risk management processes.

The Lincolnshire Police Annual Governance Statement is signed by the Chief Constable in his own set of accounts and supports the group governance arrangements.

The Commissioner has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework: Delivering Good Governance in Local Government. A copy is available on the Commissioner's website at http://www.lincolnshire-pcc.gov.uk/Transparency/Corporate-Governance.aspx or can be obtained from the Office of the Police and Crime Commissioner for Lincolnshire, Police Headquarters, Deepdale Lane, Nettleham, Lincoln, LN2 2LT. Telephone 01522 947192 or email lincolnshire-pcc@lincs.pnn.police.uk.

This statement explains how the Commissioner has complied with the Code and also meets the requirements of regulation 6(1) of the Accounts and Audit Regulations 2015 in relation to the publication of an annual governance statement.

In accordance with section 3.7.4 of the Code of Practice on Local Authority Accounting for 2016/17; the Chief Constable's financial management arrangements conform to governance requirements.

The Purpose of the Governance Framework

The governance framework comprises the systems and processes, and culture and values utilised in the discharge of the Commissioner's statutory functions. It enables the Commissioner to monitor the achievement of his policies and strategic plans (as outlined in

the Police and Crime Plan for Lincolnshire and associated strategies) and to consider whether those plans have led to the delivery of appropriate services and value for money.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable and foreseeable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Commissioner's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, to manage them effectively, efficiently and economically.

The governance framework has been in place for the year ended 31 March 2017 and up to the date of approval of the statement of accounts.

The Governance Framework

The governance regime introduced by the Commissioner gives effect to the provisions of the Police Reform and Social Responsibility (PR&SR) Act 2011. This framework was designed so that:

- where statutory powers provide for non-operational decision making that rests with the Commissioner, the Commissioner may give consent for certain decisions to be reached by the Chief Constable
- there is clarity on which statutory powers of the Commissioner have been delegated to the Commissioner's staff
- the decision making structure provides for effective management of resources
- proportionate control mechanisms are in place in order to secure probity in the use of public resources and value for money
- the Commissioner can be assured that the highest standards of openness, transparency, integrity, respect for others and corporate governance in the exercise of functions
- the Commissioner is seen to be accountable to the people of the area for the delivery of the service.

By law the Chief Constable is responsible for operational policing matters, the direction and control of police personnel, and for putting in place proper arrangements for the governance of Lincolnshire Police. It is however the Commissioner who is required to hold him to account for the exercise of those functions and those of the persons under his direction and control. This is done in a manner that recognises the commitment of the Commissioner and Chief Constable to abide by the working principles of the Policing Protocol as set out in the Schedule to the Policing Protocol Order 2011.

The key elements of the systems and processes that comprise the governance arrangements put in place for the Commissioner and the Chief Constable are measures:

- for identifying and communicating the Commissioner's vision, purpose and intended outcomes;
- for reviewing the Commissioner's vision and its implications for governance arrangements;
- for measuring the quality of services for users, for ensuring they are delivered in accordance with the Commissioner's objectives and for ensuring that they represent the best use of resources;
- for defining and documenting the roles and responsibilities of the Commissioner and Force and the senior officers of each, setting out clear delegation arrangements and

protocols for effective communication, and arrangements for challenging and scrutinizing Force activity;

- for developing, communicating and embedding codes of conduct, defining the standards of behaviour for officers and staff;
- for reviewing and updating standing orders, standing financial instructions, a scheme of delegation, contract/procurement regulations, and supporting procedure notes/ manuals, which clearly define how decisions are taken and the processes and controls required to manage risks;
- for undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committee – Practical Guidance for Local Authorities; - *Delivering good governance in local government: Guidance note for Police*;
- for ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful;
- for whistle blowing and for receiving and investigating complaints from the public and handling redress;
- for identifying the development needs of senior officers in relation to their strategic roles, supported by appropriate training;
- for establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation;
- for incorporating good governance arrangements in respect of partnerships and other group working and reflecting these in the Commissioner's overall governance arrangements.

The governance framework has been adopted by the Commissioner and the Chief Constable. The Commissioner's Code of Corporate Governance together with the Governance Framework is available at:

http://www.lincolnshire-pcc.gov.uk/Transparency/Corporate-Governance.aspx.

Review of Effectiveness

The Commissioner has responsibility for conducting, at least annually, a review of the effectiveness of the governance framework including the system of internal control.

This review has been informed by the work of the Chief Executive (CE), and the Chief Financial Officer (CFO), internal auditors, and also other members of the Commissioner's staff who have the responsibility for the development, maintenance and operation of the governance environment. In addition comments made by the internal and external auditors and other review agencies and inspectorates have informed this review.

The Commissioner and Chief Constable have a Joint Independent Audit Committee (JIAC) that meet at least 4 times a year. The JIAC provides advice on matters relating to the adequacy and effectiveness of the financial and other controls, corporate governance, financial and contract regulations and risk management arrangements operated by both the Commissioner and the Chief Constable. The JIAC is subject to an annual self-assessment.

The JIAC has received and considered independent reports from both Internal and External Audit including the implementation of action plans drawn up to address identified internal control weaknesses. The Head of Internal Audit provides an opinion, based on the work undertaken in the year, on the adequacy and effectiveness of the assurance framework, risk management, internal control and governance. The External Auditor provides an opinion on the financial statements/value for money.

There are a number of internal groups that meet on a regular basis to enable the Commissioner to carry out effective monitoring and review the Force's performance and

assess progress made against the objectives stated in the Police and Crime Plan. The Performance Governance meetings consider police performance (crime) and the Resources Governance meeting considers financial, people, estates and ICT resources. The Professional Standards Governance meeting reviews matters relating to the conduct of police officers and staff. The Police and Crime Strategic Board (P&CSB) consider long term strategy development, significant and emerging risk areas and the Chief Constable's report.

The effectiveness of the governance framework has been reviewed by the Commissioner's Executive Team[1] in the year 2016/17. The review has included:

- the internal audit reports, including: governance (decision making) and delivery of the police and crime plan;
- consideration of comments from the Joint Independent Audit Committee following its review of financial and other controls;
- consideration of the Commissioner's approach to risk management;
- the code of corporate governance and the annotated code providing sources of evidence;
- the Commissioner's Decision Making Framework and practical application of the significant public interest policy statement;
- the Commissioner's Publication Scheme and approach to ensuring that information is publicly available and transparent;
- the Integrated Scheme of Governance (ISG) that includes the Scheme of Consent, Commissioner's and Chief Constable's Scheme of Delegation and the Financial and Contract regulations;
- consideration of the Commissioner and Chief Constable's joint assurance map
- ongoing development and review of the Commissioner's Operational Delivery Monitoring Plan;
- review and monitoring of Lincolnshire Police performance (both organisational and operational) through the governance meeting structure and written and oral briefings;
- external auditors and their formal reporting.

As part of this effectiveness review it was identified that the CIPFA Delivering Good Governance Guidance Notes for Policing Bodies has been revised and was published in June 2016. The Commissioner has therefore adopted this revised guidance and it has been used to refresh the Code of Corporate Governance to align with the revised Governance Principals set out in the 2016 CIPFA framework.

Assurance on the effectiveness of the Commissioner's regulatory framework has been provided by the CE who, as Monitoring Officer, has a legal duty to ensure the lawfulness and fairness of decision-making. Specialist legal advice is available to the Monitoring Officer as required.

Assurance on the effectiveness of the Commissioner's financial controls has been provided by the CFO who is designated as the responsible officer for the administration of financial affairs under section 151 of the Local Government Act 1972. Systems are in place to ensure the lawfulness and financial prudence of decision-making and to fully discharge the responsibilities of the role. The financial arrangements in place conform to the governance

[1] Chief Executive, Chief Finance Officer

requirements of the CIPFA Statement on the Role of the CFO of the Police and Crime Commissioner and the CFO of the Chief Constable (March 2014).

The ISG was first published in 2014 to reflect the new governance arrangements arising from the PRSR Act 2011. The JIAC has been consulted on the scheme and its content is reviewed annually. Prompted by internal audit, a mandatory ISG training package has been developed for all relevant staff. The training package is designed to allow staff positively to attest that they are cognisant of the policies relating to the scheme and the financial and contract regulations. This 'e-learning' package is delivered through the National Centre for Applied Learning Technologies (NCALT). Further action identified from this training will be progressed during 2017/18

The Commissioner's risk management arrangements are well developed and embedded. The JIAC reviews the Commissioner's risk management strategy on an annual basis and monitors the Commissioner's strategic risk register quarterly. The Executive team consider and review risks on a monthly basis through management meetings. The risk register and assurance framework are aligned and drive improvement activity where assurance on the effectiveness of controls needs to be strengthened. Following comments from the JIAC in October 2016 a review of the structure of the joint Assurance Map and its supporting processes has commenced with a view to improving its effectiveness.

The Commissioner is committed to promoting fairness and equality and ensuring that people are treated with respect and dignity at all times. The monitoring and review of equality and diversity issues is carried out on a quarterly basis through a member of the Commissioner's staff meeting with the Force's Equality and Diversity Officer. The Commissioner also has oversight of the Chief Constable's approach to stop and search. This is achieved through quarterly reporting from the Superintendent lead.

The Police and Crime Panel in Lincolnshire exist to scrutinise the Commissioner (not the Chief Constable), to promote openness in the transaction of PCC business and to support the Commissioner in the effective exercise of his functions. In Lincolnshire, the Commissioner and his senior staff have attended every meeting of the Police and Crime Panel.

The Commissioner publishes his Annual Report in June and presents it to the Police and Crime Panel. The Annual Report demonstrates how the Commissioner has carried out his legal duties, sets out what has been achieved over the year and reports on the progress that has been made in meeting the objectives set out in the Police and Crime Plan. The audited Financial Statements are published on the PCC's website to complement the Annual Report. The report is available at: https://lincolnshire-pcc.gov.uk/transparency/what-our-priorities-are-and-how-we-are-doing/annual-reports/

Within the first few months of taking office the Commissioner made clear his intention to transition from a joint media and communications strategy and function, shared with the Chief Constable, to one of an independent arrangement with a specialist provider. The contract for this specialist role was placed into a formal tendering process and the successful bidder was appointed in November 2016. This arrangement will allow the Commissioner to have a bespoke service tailored and responsive to his specific requirements, its implementation will be further developed and refined following its commencement in December 2016.

The Commissioner engages in widespread consultation, key examples include subjects such as, the police budget, which received over 1,800 responses, and the development of the Police and Crime Plan. The Commissioner is also committed to being accessible to the public through a wide range of channels. Over the course of the year, the Commissioner

received over 1,000 pieces of correspondence (excluding routine correspondence from Policing Bodies), and 37 Freedom of Information (FOI) Requests[2]. In addition, The Commissioner is an avid user of social media such as Facebook and Twitter, which are used to enhance his public visibility and reach. For example he has personally made over 2,300 tweets attracting over 2,100 'followers' since taking office in May 2016. All of which demonstrates that there is an effective link between the public and the directly elected individual charged with governance. The Commissioner is also committed to openness and transparency and maintains a dedicated section on his website to meet his statutory obligations in this area, including the publication of expenses, salaries of senior staff and expenditure over £500 and a list of assets held.

Lincolnshire Police and the Commissioner have a joint Anti-fraud and Corruption Policy in place which has been reviewed during the year. Quarterly meetings ensure that current and emerging risks and issues in relation to anti-fraud and corruption are regularly discussed and reviewed and the JIAC are kept abreast of any issues arising.

The P&CSB adopted the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption published in 2014 that will help both organisations to maintain their vigilance to tackle fraud.

The Commissioner has ensured he has arrangements in place for receiving and handling complaints from the public which are within his statutory remit.

The Chief Constable has undertaken his own review of governance and his own Annual Governance Statement has informed and supports this statement.

The Commissioner has been advised on the implications of the result of the **review of the effectiveness of the governance framework** by the executive team and that the arrangements **continue to be regarded as fit for purpose in accordance with the governance framework**. The areas already addressed and those to be specifically addressed with new actions planned are outlined below.

Significant Governance Issues

The Risk Register is a tool that identifies the risks that would prevent or distract the Commissioner from achieving his objectives.

The joint assurance map is recognised by the Commissioner and the Chief Constable as a vital tool for effective corporate governance. It provides timely and reliable information on the effectiveness of the management of major strategic risks and significant control issues; it also provides a cohesive and comprehensive view of assurance across the risk environment. The assurance map provides much of the evidence base for this annual governance statement. Independent assurance is also provided by the JIAC.

High level risks on the assurance map are considered on a quarterly basis to support the continuous assessment of the effectiveness of the management of risk and internal control. The Commissioner's significant governance issues are detailed below, sourced from the map and Commissioners risk register, and they include an outline of the actions taken or further work that is required to address the issues and whom has responsibility for these.

Risk of failure to persuade government of Lincolnshire's case for a fairer share of national funding.

During 2015/16, the Government consulted on reform of police funding in England and Wales. A new, simplified allocation model was proposed which would have enabled funding to be provided sustainably to, and allocated fairly between, Police and Crime Commissioners

[2] Total number of requests in the period April 2016 to March 2017.

in England and Wales. Both the PCC and Chief Constable supported these proposals and engaged proactively with Government to refine an approach which would have seen Lincolnshire benefit by around £8 million annually. Government's plans indicated the new formula would be implemented from 2016/17. However, due to technical issues with the data, the Home Office halted introduction of the new formula, pending further work.

In September 2016, The Policing Minister announced how he intended to progress the Government's review of the police funding formula. He confirmed that he was committed to reform because the current arrangements were complex and becoming increasingly outdated. The Minister's letter set out the detailed arrangements for working with PCCs and Chief Constables and encouraged their engagement with the process. He confirmed that he intended to undertake further public consultation before reaching final decisions. The Commissioners planning assumption is that consultation proposals will emerge during the early part of 2017/18 with implementation of the revised formula being commenced from 2018/19.

Both the PCC and the Chief Constable remained supportive of Government's original proposals for reform of the funding formula and continued to make Lincolnshire's case to Government. The PCC's current medium term financial plans assume reform will result in a larger share of the police grant for Lincolnshire in the medium term.

Risk of a lack of effective succession planning (Chief Officer Team)

The risks identified by the Commissioner and his Executive Team relating to succession planning in both the chief officer ranks and broader succession planning issues across other ranks has seen significant positive activity. A permanent appointment to the position of Deputy Chief Constable was made in May 2016 adding to the longer term stability of the chief officer team. In September 2016 the Chief Constable announced his intention to retire effective from February 2017. The Commissioner embarked on an extensive recruitment process which saw the position opened up to include international applicants. Following a rigorous selection process a pool of 5 suitable candidates was identified from which 4 were invited to interview. The number of suitable candidates attracted to the role was testament to the thoroughness of the recruitment process, bearing in mind the problems encountered nationally when other forces / Commissioners have tried to recruit to chief officer positions often with only single applicants responding. Following the interview process the commissioner identified his preferred candidate for the role. This decision was then ratified by the Police and Crime Panel in December 2016. The new Chief Constable commenced directly after the departure of his predecessor on 1 February 2017 thereby ensuring a smooth handover of responsibilities.

Broader succession planning issues have also seen positive activity particularly in the areas identified by HMIC in their previous leadership inspection report. One example is the establishing of a talent development programme called "The Edge" aimed at developing both officers and members of staff with leadership potential. The programme commenced in June 2016 with the first intake due to complete their programme of enhanced development opportunities by September 2017. In their current Leadership Inspection report published in December 2016 HMIC acknowledged this identifying that the Force now has a number of programmes that form part of a talent management strategy, to identify future leaders and commented that, *"Lincolnshire Police has a good approach to trying to ensure it draws the best candidates from the widest possible pool of potential senior leaders. Many innovative and creative methods exist to identify potential senior leaders at all ranks and grades from both within and outside the Force*."

The work undertaken by the Force and Commissioner in this area has had a significant impact on the risk originally raised by the Commissioner and his executive team and as a result there is now a range of programmes under a talent management strategy to enable better succession planning.

Risk of failure to achieve and demonstrate efficiencies and value for money

The Commissioner and Chief Constable both have a statutory duty to make the best use of resources available to them. The Police and Crime Plan commits to obtaining value for money from all funding and avoiding waste. Over the last year key work streams have furthered this commitment including: the continued roll-out of significant technical solutions such as Body Worn Video and Mobile Technology. Oversight is gained through the Resources Governance meeting and the Police and Crime Strategic Board; independent assurance is gained through HMIC via the Efficiency pillar of their PEEL inspection programme. In November 2016, HMIC graded the Force as 'Good' in respect of the efficiency with which it keeps people safe and reduces crime.

The Commissioner continues to support the Force in maintaining project and programme discipline to ensure that anticipated benefits are realised and the development of an embedded approach to benefits realisation remains a priority for 2017/18. The Financial Strategy includes performance measures relating to both financial health and financial performance, supported by a number of plans and policies.

Risk of failure to deliver and demonstrate VfM in regional collaboration

The Commissioner and Chief Constable collaborate with the East Midlands region in many operational and back office areas.The EM Special Operations Unit, Major Crime Unit, Special Branch and Forensics Services have been in place for several years with Occupational Health and Legal Services, Criminal Justice and Operational Support more recently forming collaborative services. Following the assurance mapping across a number of regional collaborations undertaken by RSM Tenon during 2015, the output has informed internal audit plans for 2016/17. During 2016/17, internal audits of 5 regional collaborations took place, including three with which Lincolnshire Police is involved: EM Legal Services, EMOpSS, and EMSOU. On behalf of the regional PCCs, a review of regional governance has recently been undertaken. Recommendations for the strengthening of this function are currently been considered by PCCs. This area of business remains under scrutiny via the risk register and assurance map.

Risk of failure to ensure that Strategic Partner's objectives are delivered

The Commissioner's strategic partnership with G4S has reached the 5 year point and continues to deliver a range of support services to operational policing together with appropriate services and savings. The contract is overseen through a robust governance structure and through the Commercial Partnership Team who manage and monitor the contract on behalf of the Commissioner. The Performance and Delivery Board meet on a quarterly basis and their remit includes assuring compliance with service performance standards, oversight of transformation initiatives and benefits realisation.

Concerns over the performance of the Firearms Licensing Department have been robustly addressed in the reporting period. The transformation of the process including components of digitisation is underway to provide a more timely and resilient service and to better manage and mitigate the risk. Additional resources have been deployed together with process review and analysis. Firearms licensing is cyclical with some years presenting peaks of demand. 2017 is a 'peak' year and the service will need careful monitoring to ensure adequate service and continued transformation.

Anti-Corruption operation "ARGO"

In January 2016, Lincolnshire Police began an investigation following the anti-corruption unit receiving internally, an allegation that staff within the Force Control Room were calling 999, at quiet times, to ensure calls were picked up quickly to improve perceived performance. The Force engaged immediately with the

Independent Police Complaints Commission and subsequently with the Crown Prosecution Service as the allegations were investigated. Evidence of inconsistencies were found and an internal disciplinary process (not criminal) ensued. In accordance with advice from the JIAC, a "lessons learned" exercise has been conducted to identify any potential improvements in this area of business and to proactively seek to reduce the likelihood of a similar issue occurring.

The disciplinary processes have been completed and some new staff recruited and the Force Control Room continues to deliver a satisfactory level of service.

Inspectorate findings

HMIC's PEEL Inspection programme for 2016/17 scrutinises all 43 forces in England and Wales and examines their Efficiency, Effectiveness and Legitimacy providing comparable grades for each force against these three "Pillars". Inspections are conducted throughout the year and grades are published on HMIC's website. At the end of each inspection year a PEEL assessment is published in which the HMI for the Force area summarises the overall performance for each Force. In 2015/16 HMI for Lincolnshire commented in the summary, "I am satisfied with some aspects of the performance of Lincolnshire Police in keeping people safe and reducing crime, but there are areas in need of improvement in order to provide a consistently good service".

Following this In November 2016 the current PEEL grade for Lincolnshire Police Efficiency was assessed as *"Good".* This represents an improvement over the previous years grade of *"Requires Improvement".* In addition HMIC asserted that *"the Force has done what can reasonably be expected to become efficient, to maximise value for money for the taxpayer while providing an effective policing service to the communities of Lincolnshire".*

The next PEEL inspection grade received, in December 2016, was Legitimacy which was graded as "Good" this maintained the grade achieved the previous year.

In February 2017 HMIC graded the Force's Effectiveness as "Good" this represents progress from last times grade of *"Requires Improvement"*. In September 2016 the Force was re-admitted to the national "Best Use of Stop and Search Scheme" (BUSS) following a re-inspection visit which showed clear improvement and compliance with the requirements of the scheme.

Other notable HMIC inspection visits outside of the PEEL programme included an update visit in October 2016 to check on the progress against recommendations made as a result of the unannounced custody inspection in September 2015. This also recognised good progress had been made in addressing the issues identified in the inspection.

The overall assessment of the Force's performance by the HMI for Lincolnshire was published in the spring of 2017 with the HMI commenting *"I am pleased with the overall performance of Lincolnshire Police and the progress has made since last year. However, there are still some areas that the Force needs to improve to provide a consistently good service".*

The PCC continues to monitor progress against all of the inspectorate's outstanding recommendations through a variety of means including a regular report produced for the Police and Crime Strategic Board – this continues to be developed to ensure its effectiveness under the direction of the deputy chief constable. In addition the JIAC also receive a regular report to aid their consideration of force activity in this area. The commissioner is required by law to publish his response to all force specific HMIC inspection reports within 56 days of their publication, these responses are therefore published on the PCC's website at https://lincolnshire-pcc.gov.uk/transparency/what-our-priorities-are-and-how-we-are-doing/hmic-inspections/ .

Risk of Failure to Deliver Objectives of Tri-service "Blue Light Programme".

The Commissioner formally signed the decision notice to approve the Blue Light Collaboration programme on 26 July 2016. This is an ambitious programme of work

between Lincolnshire police (LP), Lincolnshire County Council (LCC) Lincolnshire Fire & Rescue (LFR) and the East Midlands Ambulance Service (EMAS). The programme has a "Golden thread" of closer working running throughout it and includes a broad ranging estates review and a project team looking at interoperability and opportunities for integration.

Two key elements are the shared headquarters project whereby LFR and LP will share a headquarters based in the current police HQ in Nettleham, as well as a shared control room due to be completed in November 2017, and a Blue Light Campus which will see the creation of a tri-service integrated operational station of circa 400 frontline personnel, due to be completed in Spring 2019. The programme has attracted over £7.5 m of Police innovation funding and financial commitment from LCC and EMAS. The programme has the potential to deliver a significant number of benefits to Lincolnshire Police and its partners and to the public of Lincolnshire with a clear imperative to deliver a sustainable solution that represents value for money.

The Governance and project management of this programme of work is a major undertaking in its own right with assurance needing to be provided to all stakeholders and specific review and reporting points being specified by the Home Office within it's Grant Agreement criteria. The programme involves both capital investment and Revenue funding by the PCC to deliver the programme.

Initial costs for the creation of a shared headquarters were much higher than had been estimated (almost double) and this has required costs to be "managed down" in addition the need to meet challenging spending criterion set by the Home Office which if not met could lead to the loss of funding, has led to concerns being raised by the PCC. The PCC's risk Register reflects this situation by raising the score to a maximum Critical Risk score of RED16. The PCC has requested that consideration be given to further bolstering the assurance and governance processes already in place. Options are currently being explored to enhance both the financial management and monitoring of the programmes progress as well as additional specialist support for the project teams involved.

Risk of Lack of resilience in the Office of Police and Crime Commissioner.

The first transition of Police and Crime Commissioners following an election was inevitably going to a significant governance event during 2016. Strategic and tactical planning was put in place that was at least equal to that during the transition from the police authority.

The electoral process itself added a new dimension and uncertainty to the Office of the Police and Crime Commissioner (OPCC). For the first time the "track record" of a sitting PCC and the performance of his team became a public and political issue with candidates making statements about the OPCC as part of their electoral "pitch". For many of the OPCC staff this was the first time that they had been subject to such public debate and it caused significant uncertainty and apprehension.

The potential for a change of PCC itself created significant uncertainty on a personal, organisational and structural level and added to the apprehension.

Careful planning, steady reassurance and communication and the quality of the small team ensured that the OPCC was ready for the outcome of the election in May.

The new PCC brought a number of new ideas and views about the OPCC structure and in addition a significantly different workstyle and also the introduction of a Deputy PCC. The PCC and Deputy required significantly more support in researching and policy development. Particularly significant was the PCC's view that a shared communications service with the Force was not desirable or sustainable. This led to a restructure of the OPCC. Following consultation the shared head of Communications

role (which was also the Deputy Chief Executive) was disestablished and opportunities for two graduate interns and an apprentice were created.

Change was effected rapidly with the DCE leaving in August and recruitment of interns and apprentice completed so that they started in January 2017. External media support for the PCC was procured commencing in December 2016 all from within existing budgets meeting the PCC's pledge on resources and creating new opportunities for local people. (Both interns are on the University of Lincoln scheme).

The period of transition following the election was challenging to the small OPCC team. Losing a long term valued colleague (DCE) stretched resources in the team and inevitably had personal impact on the team at a time when a great deal of change was already going on.

As in the planning stage the OPCC staff responded in coping with change during transition and in demonstrating a positive and effective attitude to the new structure. The procurement/recruitment processes were supported by all and has ensured a rapid reshaping to better support the new PCC requirements.

While resilience and individuals were tested the PCC's statutory responsibilities were delivered during the transition. Going forward the OPCC Chief Executive will continue to monitor the resource requirements to support the PCC and the new Police and Crime plan. In delivering the Police and Crime Plan the OPCC will seek to work closely with partners rather than seek to expand the OPCC.

Future Plans

We propose over the coming year to continue our plans to address all of the above matters to further enhance our governance arrangements. We will address the need for improvements that are identified during our review of effectiveness and we will monitor their implementation and operation as part of our next annual review.

SIGNED

Marc Jones	Malcolm Burch
Police and Crime Commissioner for Lincolnshire	Chief Executive to the Police and Crime Commissioner for Lincolnshire
DATE	DATE

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Chief Finance Officer's Narrative Report

The narrative report to the financial statements provides a guide to the most significant matters reported in the accounts and includes an explanation of the statements, a comparison of outturn figures to the budget and highlights significant areas of expenditure and major changes. The borrowing position of the PCC is also covered together with future prospects for capital investment programmes.

Introduction

I am pleased to present the Statement of Accounts for the Police and Crime Commissioner (PCC) for Lincolnshire and the PCC for Lincolnshire Group (the PCC Group) for the financial year 2016/17. This Statement of Accounts sets out the overall financial position of the PCC and the PCC Group for the year ended 31 March 2017.

The accounts presented in this document reflect the police governance arrangements in place since 1 April 2014. All Police Officers and the majority of police staff (other than a small number relating to the PCC's Office and Corporate Communications) are in the Chief Constable's employment. The Financial Statements reflect the cost of providing operational policing in the Chief Constable's accounts with the PCC's accounts showing a commensurate transfer of resources to the Chief Constable.

These accounts have been compiled in accordance with the Accounts and Audit Regulations 2015 and the Code of Practice on Local Authority Accounting 2016/17.

The accounts are prepared to provide the reader with a "true and fair" view of the financial position of the PCC for Lincolnshire and the Lincolnshire PCC Group during 2016/17 and as at 31 March 2017. Group accounting was introduced in 2012/13 with the introduction of the PCC and is continued in the current year's financial statements.

The PCC Group position reflects the consolidated accounts of the PCC and the Chief Constable. Where the PCC Group position differs from the PCC position this is made clear in the accounting statements and notes. A separate set of accounts is produced for the Chief Constable for Lincolnshire.

The PCC receives all funding and income and makes all payments for the Group. Under a detailed Scheme of Delegation an annual budget is provided, following consultation with the Chief Constable, for fulfilling requirements for policing Lincolnshire in accordance with the Police and Crime Plan.

The Strategic Partnership contract is formally held by the PCC for the provision of a wide range of operational and support functions to the Chief Constable. This has been accounted for in full in the PCC's accounts as that is where the budget and management control resides. This represents a change from the previous year and the 2015/16 figures have been restated to achieve consistency with the results reported for 2016/17.

All assets, liabilities and reserves continue to be held in the main by the PCC, however those specifically relating to accounting entries within the Chief Constable entity are included in the Chief Constable's accounts. Pension liabilities have been split between the PCC and CC accounts.

This narrative provides a brief explanation of the main financial aspects of the PCC Group activities.

Background

The PCC Group is responsible for providing policing services to a population in excess of 710,000 dispersed across a large geographical area of 590,000 hectares.

The PCC Group:

- Sets its own budget;
- Holds its own Reserves;
- Receives its share of Police Grant paid by the Home Office in accordance with a detailed formula;
- Also receives Legacy Council Tax Grants from the Home Office;
- Receives precepts for the proportion of the budget to be met by the residents of Lincolnshire as part of the overall council tax collected by District Councils.

The Financial Statements are explained below and consist of:

Statement of Responsibilities - This explains the responsibilities for the financial affairs of the Group and how these responsibilities are carried out.

Annual Governance Statement - The PCC publishes an Annual Governance Statement in accordance with the Delivering Good Governance guidance in order to meet the statutory requirements set out in the Accounts and Audit Regulations 2015.

Accounting Statements

The accounting statements include a new statement for 2016/17, the Expenditure and Funding Analysis, which together with the new format for the Comprehensive Income and Expenditure Statement (CIES), replaces the previous CIES. The main statements are:

- **Expenditure and Funding Analysis**

  The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources. It shows how the expenditure is allocated for decision making purposes between the PCC, CC and Joint Services. Income and expenditure accounted for under generally accepted accounting principles is presented more fully in the Comprehensive Income and Expenditure Statement.

- **Group Comprehensive Income and Expenditure Statement**

  The comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation.

- **Movement in Reserves Statement**

  The movement in reserves table shows the movement on the various reserves held by the Force, from the start of the financial year to the end of the year. This is analyses into usable reserves (those that can be applied to fund expenditure) and other unusable reserves.

- **Group Balance Sheet**

  This represents the financial position of the PCC as at the balance sheet date of the assets and liabilities recognised by the PCC. The net assets are matched by the two categories of the reserves held.

- **Group Cash Flow Statement**

  The Cash Flow Statement shows the changes in cash and cash equivalents of the PCC during the period. The statement shows how the PCC generates and uses cash and cash equivalents by classifying cash flows as operating, investing and

financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations are funded by the way of taxation and grant income. Investing activities represent the extent to which cash outflows contribute to the resources for future service delivery.

Notes to the Accounts

The notes show details supporting each of the main accounting statements for the PCC Group, together with additional information to explain the PCC financial transactions. Note 1 contains the Accounting Policies. The purpose of these policies is to explain the basis for the recognition, measurement and disclosure of transactions and other events in the accounts.

Police Officer Pensions – Home Office Memorandum Account

The Memorandum Account summarises the transactions relating to retirement benefits paid to police officers and how these costs are financed.

Relationship between accounting statements

The different accounting statements are linked in several important ways. The relationship between the Comprehensive Income and Expenditure Statement and the movement in the PCC Group's total reserves is shown in the Movement in Reserves Statement.

The Cash Flow statement reconciles to the balance on the Comprehensive Income and Expenditure Statement for the year and the movement in the Balance Sheet cash and cash equivalents.

The new Expenditure and Funding Analysis shows how the expenditure is allocated for decision making purposes between the directorates within the Force.

The Statement of Accounts provide an opportunity to present more information to support the details in the Police and Crime Plan, which is available on the PCC's website www.lincolnshire-pcc.gov.uk.

The PCC sets the budget, in consultation with the Chief Constable, and determines the Council Tax precept to be levied on Lincolnshire's District Councils. Expenditure on the day to day running costs of the service is charged against the Revenue Budget and is recorded in the Comprehensive Income and Expenditure Statement.

Expenditure on assets, which will provide benefit for future years, is charged against the capital programme.

A full revaluation of the PCC Group's Property Assets was undertaken during the year, with the results of the revaluation being included in the Balance Sheet. These are detailed in the notes to the accounts.

The Comprehensive Income and Expenditure Statement includes the costs of depreciation for all long term assets used in the delivery of services. The depreciation costs are not identified separately on the face of the statement, however they are included within the costs for each of the services provided. Depreciation costs are replaced by capital financing charges in the Movement in Reserves Statement. The total capital expenditure and how that has been financed is provided in Note 22.

Financial Performance

In February 2016, the PCC approved a net revenue budget of £117.1m of which £104m was funded from Police Grant and Council Tax receipts.

In order to deliver a balanced budget, use of reserves £1.6m was required.

A summarised statement of the actual net expenditure for the year is set out below and compared to the approved original budget for the year:

	Budget £m	Actual £m	Variance £m
Services			
PCC	29.9	31.8	1.9
Chief Constable Delegated Budget	85.7	84.7	(1.0)
Joint Services	1.5	1.8	0.3
Total Service Expenditure	**117.1**	**118.3**	**1.2**
Other Operating Costs			
Appropriation to Earmarked Reserves	0.0	4.3	4.3
Appropriation from Earmarked Reserves	(1.6)	(3.9)	(2.3)
Total Expenditure	**115.5**	**118.7**	**3.2**
Financed by:			
General Police Grant	58.7	58.7	0.0
Council Tax Precept	45.3	45.3	0.0
Innovation Funds	1.6	0.6	(1.0)
Police Transformation Fund	0.0	1.6	1.6
Regional Force Contributions	0.0	2.6	2.6
Custody Contract	0.0	2.2	2.2
Other Specific and Non-specific Grants	9.9	7.7	(2.2)
Total Financing	**115.5**	**118.7**	**3.2**
Total Surplus	**0.0**	**0.0**	**0.0**

PCC direct expenditure exceeded the budget by £1.9m as a result of increased contributions to the Local Government Pension Scheme to reduce the historic funding deficit following the latest actuarial revaluation.(£1.5m). In addition, there were increased costs of capital financing (£327k), funded in part by an NHS grant (£162k).

Expenditure against the Chief Constable's budget was £1m less than planned. This resulted from a number of non-recurring savings, including a saving on Police Officer Ill Health retirements (£436k), over provision of national insurance costs following the increase in rates (£391k), a lower average police officer strength during the year of 9 FTE (£485k), lower ICT costs due to slippage in nationally managed ICT provision (£703k). a lower average PCSO strength of 18.6 FTE than planned (£580k) and lower fuel costs (£292k). Set against this, there were increased costs of £3.6m in respect of the regional ICT platform, funded in part from Transformation Fund grant (£1.6m) and in part from regional force contributions (£2.6m).

The Service Reporting Code of Practice (SeRCOP) is replaced this year with the Expenditure and Funding Analysis which shows how annual expenditure is used and funded from resources. This is now shown separately from the Comprehensive Income & Expenditure Statement in the accounts.

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Reserves

The PCC's Financial Strategy requires that general reserves will be maintained around the mid-point of a target range based on the financial risk assessment in respect of residual financial risks.

The current financial risk assessment for Lincolnshire indicates that general reserves should be maintained around 5% of total annual expenditure. The current balance of £5.6m (excluding regional reserves) is in accordance with this requirement.

Earmarked reserves total £13.1m, including regional reserves, and are held for specific expenditure or contingencies. Movements in Earmarked Reserves are detailed in note 10.

Pensions

The pension reporting requirement (IAS 19 - Retirement Benefits) are included under note 51 of the PCC Group accounting statements. This is a complex accounting standard but is based on a simple principle, i.e. that an organisation should account for retirement benefits when the commitment to give them is made, even if the actual liability will be many years into the future.

The PCC Group operates two schemes, both of which have been approved by Parliament. The Local Government Pension Scheme (LGPS) is funded and has assets to meet the future liabilities. On 1 April 2014 a new LGPS was created, whilst remaining a defined benefit scheme, the way that pensions are calculated changed with a Career Average Revalued Earnings (CARE) pension scheme being introduced. The new arrangements maintain all service prior to this date on a final salary basis with future benefits being based on pay (which now also includes non-contractual overtime) each scheme year rather than final salary. Transitional arrangements and protections for those approaching retirement age were also implemented. The effect of these new arrangements is included within the pension disclosures of these accounts.

The other scheme for police officers is unfunded (or "pay as you go") with payments being made from the Home Office Police Officer Pensions Account as they become due. Major reform of this scheme occurred on 1 April 2015. The Police Pension Scheme is a defined benefit occupational pension scheme which is guaranteed and backed by law. The scheme changed from a final salary scheme to a Career Average Revalued Earnings (CARE) scheme. Members of the 1987 and 2006 final salary schemes received transitional protection.

The Comprehensive Income and Expenditure Statement includes the cost of retirement benefits when they are earned by employees, rather than when the benefits are eventually paid as pensions. The statement shows that the actuary has identified an increase total pension liability at 31st March 2017. The reason for this change is a revision to the financial assumptions made by the actuary, specifically the rate for discounting scheme liabilities. Full details are given in Note 51 to the accounts.

The total pension liability for the two schemes is shown in the Balance Sheet and has a significant impact, in terms of the overall value of the Balance Sheet. As is common with pension funds the Local Government Pension Scheme and the Police Pension Scheme have a net liability balance at year end. That is, the present value of the fund obligations exceeds the fair value of the employer assets in the fund. The total reported pension liability of the two schemes (which is offset in the Balance Sheet by the Pensions Reserve) has increased over the past year.

The financing of the annual cost of police officer pensions is noted in a separate Memorandum Pensions Account. All payments are made to retired officers out of this account, and income received from Government to offset the net cost of the account after serving officer contributions have been deducted. This has smoothed the burden on the PCC and Chief Constable of budgeting for the increasing costs of police officer pensions.

Capital Expenditure

Capital Expenditure during the year totaled £6.4m , including regional capital spend. The breakdown of which is included in note 20.

Additional borrowing was not necessary in 2016/17 due to the level of cash balances being held. The sources of funding for the capital programme are detailed in note 22.

The Prudential Code for Capital Finance requires that the PCC's are responsible for deciding the level of their borrowing. Total debt outstanding at 31 March 2017 was £12.3m.

Prospects for 2017/18 and beyond

The Medium Term Financial Plan provides for a balanced budget through to 2019/20 based upon a prudent assumption of an additional £6m of police grant by the end of the planning period together with annual 2% council tax precept increases.

Whilst in September 2016, the Policing Minister indicated his commitment to the introduction of a new funding formula and regular updates from the Home Office since then have indicated good progress, the announcement of a General Election on 8 June 2017 has introduced further uncertainty about the outcome of the review and the timescales for implementation. This continues to present a key risk to the delivery of the Medium Term Financial Plan.

It is clear that, without a more equitable slice of the national police grant, or substantial precept rises in future years, Lincolnshire would see significant degradation of service from 2018/19 onwards. That would undoubtedly take the form of fewer Police Community Support Officers (PCSOs), police officers and the staff who support them.

The continuing challenge is to maintain performance by improving the productivity and effectiveness of police officers e.g. through providing them with improved tools to support their work, for example ICT

Nevertheless, achieving a fairer share of government funding for Lincolnshire will be critical to maintaining acceptable levels of policing. The Commissioner and the Chief Constable continue to give high priority to improving police productivity and achieving a fairer share of government funding for Lincolnshire.

The PCC has approved a capital programme of £15.7m in 2017/18. The programme includes:

- Significant investment in the Force estate;
- Replacement programme for vehicles;
- ICT schemes;
- A major investment in Bluelight collaboration supported by Innovation Fund grant from the Home Office;
- Part two of the Home Office regional non-crime ICT Platform;
- Substantial replacement of telephony equipment

Asset and Treasury Management

A revaluation of the PCC's asset portfolio has been undertaken, the revised valuations reflecting the current commercial property market. The total value of the estate is now £24.9m, including £23.6m land & buildings, and £1.2m investment property and assets held for sale.

The PCC's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist overview and confirm capital expenditure plans.

The PCC's treasury portfolio position at 31 March 2017, with forward projections are detailed in the Treasury Management Strategy Statement. The PCC is currently maintaining an under-borrowed position - i.e. the Capital Financing Requirement is not fully matched by loan debt as cash supporting the PCC's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as net investment returns are low and counterparty risk is still an issue that needs to be considered.

Julie Flint, CPFA MSc
Chief Finance Officer to the
Police and Crime Commissioner for Lincolnshire

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Statement of Responsibilities for the Statement of Accounts

This section explains the Police and Crime Commissioner's responsibilities for the stewardship of the PCC's financial affairs.

The Police and Crime Commissioner's Responsibilities	Responsibilities of the Chief Finance Officer
The PCC is required to Make arrangements for the proper administration of the financial affairs of the PCC and to secure that one of its officers has the responsibility for the administration of those affairs, which for the PCC is the Chief Finance Officer; and To manage the affairs of the PCC to secure economic, efficient and effective use of resources and to safeguard its assets; To approve the Statement of Accounts.	The Chief Finance Officer is responsible for the preparation of the PCC's Statement of Accounts in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code). In preparing this Statement of Accounts, the Chief Finance Officer is responsible for: • Consistently applying suitable accounting policies; • Ensuring judgements and estimates are reasonable and prudent; • Compliance with the Local Authority Code; • Ensuring proper accounting records are kept and processes are in place to prevent and detect fraud and other irregularities.

I approve these audited Statement of Accounts	I certify that the Financial Statements present a true and fair view of the financial position of the Police and Crime Commissioner for Lincolnshire as at 31 March 2017 and its income and expenditure for the year then ended.

Police and Crime Commissioner for Lincolnshire Marc Jones Date:	Chief Finance Officer Julie Flint CPFA MSc Signed by Julie Flint Date: 9 June 2017

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Independent Auditor's Report to the Police and Crime Commissioner for Lincolnshire

We have audited the financial statements of the Police and Crime Commissioner for Lincolnshire for the year ended 31 March 2017 on pages 30 to 108. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

This report is made solely to the Police and Crime Commissioner, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the Police and Crime Commissioner, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Police and Crime Commissioner, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Finance Officer and auditor

As explained more fully in the Statement of the Chief Finance Officer's Responsibilities, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that the financial statements give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Police and Crime Commissioner's and the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Finance Officer; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Narrative Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Police and Crime Commissioner and the Group as at 31 March 2017 and of the police and Crime Commissioner's and the Group's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

Matters on which we are required to report by exception

The Code of Audit Practice requires us to report to you if:

- the Annual Governance Statement set out on pages *8* to 18 does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' (CIPFA/SOLACE 2016 Edition); or
- the information given in the Narrative Statement for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- any matters have been reported in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit; or
- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014; or
- any other special powers of the auditor have been exercised under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of these matters.

Conclusion on the Police and Crime Commissioner for Lincolnshire's arrangements for securing economy, efficiency and effectiveness in their use of resources

Authority's responsibilities

The Police and Crime Commissioner is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in their use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities

We are required under Section 20(1) (c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Police and Crime Commissioner has made proper arrangements for securing economy, efficiency and effectiveness in their use of resources. The Code of Audit Practice issued by the Comptroller and Auditor General (C&AG) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Police and Crime Commissioner has put in place proper arrangements for securing economy, efficiency and effectiveness in their use of resources. We are not required to consider, nor have we considered, whether all aspects of the Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in their use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by C&AG in November 2016, as to whether Police and Crime Commissioner had proper arrangements to ensure they took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The C&AG determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Police and Crime Commissioner put in place proper arrangements for securing economy, efficiency and effectiveness in their use of resources for the year ended 31 March 2017.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Police and Crime Commissioner had put in place proper arrangements to secure economy, efficiency and effectiveness in their use of resources.

Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2016, we are satisfied that, in all significant respects, the Police and Crime Commissioner for Lincolnshire put in place proper arrangements to secure economy, efficiency and effectiveness in their use of resources for the year ended 31 March 2017.

Certificate

We certify that we have completed the audit of the financial statements of the Police and Crime Commissioner for Lincolnshire in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Andrew Cardoza

For and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

One Snowhill

Snow Hill Queensway

Birmingham

B4 6GH

xx August 2017

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Group Expenditure and Funding Analysis Statement

2016/17

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources. It shows how the expenditure is allocated for decision making purposes between the PCC, CC and Joint Services. Income and expenditure accounted for under generally accepted accounting principles is presented more fully in the Comprehensive Income and Expenditure Statement.

2015/16				Group	2016/17		
Expenditure Chargeable to the General Fund £000	Adjustments between Funding and Accounting basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000	Note		Expenditure Chargeable to the General Fund £000	Adjustments between Funding and Accounting basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
24,057	(233)	23,823		Police and Crime Commissioner	22,896	3,607	26,503
103,586	(13,527)	90,059		Chief Constable	106,091	(11,700)	94,391
1,559	-	1,559		Joint Services	1,832	-	1,832
129,202	**(13,760)**	**115,442**	**7**	**Cost of Services**	**130,820**	**(8,093)**	**122,727**
751	1,104	1,855	**11**	Other Operating Expenditure	731	1,722	2,453
994	42,062	43,056	**12**	Financing and Investment Income and Expenditure	1,076	39,621	40,697
(132,455)	(1,903)	(134,358)	**13**	Taxation and Non-Specific Grant Income	(132,891)	(4,256)	(137,148)
(1,509)	**27,503**	**25,996**	**7**	**(Surplus) or Deficit on the Provision of Services**	**(263)**	**28,992**	**28,729**
5,874				Opening General Fund Balance as at 31 March	**5,657**		
1,509				Increase/(Decrease) in Year before Transfers to Earmarked Reserves	263		
(1,726)			**10**	Net transfers (to)/from Earmarked Reserves	(264)		
5,657				**Closing General Fund as at 31 March**	**5,656**		

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PCC Expenditure and Funding Analysis Statement

2016/17

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources. It shows how the expenditure is allocated for decision making purposes between the PCC, CC and Joint Services. Income and expenditure accounted for under generally accepted accounting principles is presented more fully in the Comprehensive Income and Expenditure Statement.

2015/16				PCC	2016/17		
Expenditure Chargeable to the General Fund £000	Adjustments between Funding and Accounting basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000	Note		Expenditure Chargeable to the General Fund £000	Adjustments between Funding and Accounting basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
24,057	(233)	23,823		Police and Crime Commissioner	22,896	3,607	26,503
643	-	643		Joint Services	628	-	628
24,700	**(233)**	**24,466**	**7**	**Cost of Services**	**23,525**	**3,607**	**27,131**
(0)	1,104	1,104	**11**	Other Operating Expenditure	(3)	1,722	1,719
995	18	1,013	**12**	Financing and Investment Income and Expenditure	1,076	(95)	982
(132,455)	(1,903)	(134,358)	**13**	Taxation and Non-Specific Grant Income	(132,891)	(4,256)	(137,148)
105,254		105,254		Expenditure - Intra Group financing	108,030	-	108,030
(1,507)	**(1,014)**	**(2,521)**	**7**	**(Surplus) or Deficit on the Provision of Services**	**(263)**	**977**	**714**
5,874				Opening General Fund Balance as at 31 March	**5,655**		
1,507				Increase/(Decrease) in Year before Transfers to Earmarked Reserves	263		
(1,726)			**10**	Net transfers (to) / from Earmarked Reserves	(264)		
5,655				**Closing General Fund as at 31 March**	**5,655**		

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Group Comprehensive Income and Expenditure Statement

2016/17

The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The PCC Group raises taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

2015/16					2016/17		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Note		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
32,892	(9,068)	23,823		Police and Crime Commissioner	34,573	(8,070)	26,503
92,320	(2,261)	90,059		Chief Constable	99,363	(4,972)	94,391
1,559	-	1,559		Joint Services	2,092	(259)	1,832
126,771	**(11,329)**	**115,441**		**Cost of Services**	**136,028**	**(13,301)**	**122,727**
2,564	(709)	1,855	**11**	Other Operating Expenditure	3,083	(630)	2,453
43,314	(257)	43,056	**12**	Financing and Investment Income and Expenditure	41,012	(314)	40,697
-	(134,358)	(134,358)	**13**	Taxation and Non-Specific Grant Income	-	(137,148)	(137,148)
172,650	**(146,654)**	**25,997**		**(Surplus) or Deficit on the Provision of Services**	**180,122**	**(151,393)**	**28,729**
-	(738)	(738)	**32**	(Surplus) / Deficit on Revaluation of Non-Current Assets	-	(2,266)	(2,266)
(202,105)	-	(202,105)	**34**	Actuarial (Gains) or Losses on Pension Assets and Liabilities	160,490	-	160,490
(202,105)	**(738)**	**(202,843)**		**Other Comprehensive Income and Expenditure**	**160,490**	**(2,266)**	**158,224**
(29,455)	**(147,392)**	**(176,846)**		**Total Comprehensive Income and Expenditure**	**340,612**	**(153,658)**	**186,953**

There were no acquisitions or discontinued operations in the current year or preceding year.

The Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 requires that the Comprehensive Income & Expenditure Statement (CIES) reflects the internal management reporting and decision making arrangements of the organisation.

The strategic partnership contract is managed by the PCC and has been included within the annual statements for the PCC for 2016/17. This represents a change to the reporting arrangements from the previous year and the comparative figures for 2015/16 have been restated in accordance with the new reporting arrangement.

The cost relating to the G4S strategic partnership of £22.7m for 2016/17 (2015/16: £22.3m) is now shown in the PCC and Group annual statements shown above.

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PCC Comprehensive Income and Expenditure Statement

2016/17

The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The PCC Group raises taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

2015/16					2016/17		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Note		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
32,892	(9,068)	23,823		Police and Crime Commissioner	34,573	(8,070)	26,503
643	-	643		Joint Services	707	(79)	628
33,535	**(9,068)**	**24,466**		**Cost of Services**	**35,280**	**(8,149)**	**27,131**
1,222	(118)	1,104	**11**	Other Operating Expenditure	1,787	(69)	1,719
1,270	(257)	1,014	**12**	Financing and Investment Income and Expenditure	1,297	(314)	982
-	(134,358)	(134,358)	**13**	Taxation and Non-Specific Grant Income	-	(137,148)	(137,148)
105,254	-	105,254		Expenditure - Intra Group financing	108,030	-	108,030
141,281	**(143,802)**	**(2,520)**		**(Surplus) or Deficit on the Provision of Services**	**146,393**	**(145,679)**	**714**
-	(738)	(738)	**32**	(Surplus) / Deficit on Revaluation of Non-Current Assets	-	(2,266)	(2,266)
(656)		(656)	**34**	Actuarial (Gains) or Losses on Pension Assets and Liabilities	356		356
(656)	**(738)**	**(1,394)**		**Other Comprehensive Income and Expenditure**	**356**	**(2,266)**	**(1,910)**
140,625	**(144,540)**	**(3,914)**		**Total Comprehensive Income and Expenditure**	**146,749**	**(147,945)**	**(1,197)**

There were no acquisitions or discontinued operations in the current year or preceding year.

The Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 requires that the Comprehensive Income & Expenditure Statement (CIES) reflects the internal management reporting and decision making arrangements of the organisation.

The strategic partnership contract is managed by the PCC and has been included within the annual statements for the PCC for 2016/17. This represents a change to the reporting arrangements from the previous year and the comparative figures for 2015/16 have been restated in accordance with the new reporting arrangement.

The cost relating to the G4S strategic partnership of £22.7m for 2016/17 (2015/16: £22.3m) is now shown in the PCC and Group annual statements shown above.

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Group Movement in Reserves Statement

2016/17

The Movement in Reserves Statement shows the movement in the year on the reserves held by the PCC Group, analysed into usable reserves and unusable reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the PCC Group's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance. The Net Increase / Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from Earmarked Reserves undertaken by the PCC Group.

Group	Capital Receipts Reserve	Capital Grants Unapplied	Earmarked Reserves	General Fund Balance	Total Usable Reserves	Unusable Reserves	Total Group Reserves
	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2015	**-**	**390**	**11,089**	**5,875**	**17,354**	**(1,313,379)**	**(1,296,025)**
Movement in Reserves during 2015/16							
Deficit on the provision of services	-		-	(25,995)	(25,995)	-	(25,995)
Other Comprehensive Income and Expenditure	-		-	-	-	202,843	202,843
Total Comprehensive Income and Expenditure	**-**	**-**	**-**	**(25,995)**	**(25,995)**	**202,843**	**176,848**
Adjustments between accounting basis and funding basis under regulations (Note 9)	133	(26)	-	27,503	27,610	(27,611)	(1)
Net Increase / Decrease before Transfers to Earmarked Reserves	**133**	**(26)**	**-**	**1,508**	**1,615**	**175,232**	**176,847**
Net transfers (to)/from Earmarked Reserves (Note 10)	-	-	1,726	(1,726)	**-**	-	-
Increase/(Decrease) in 2015/16	**133**	**(26)**	**1,726**	**(218)**	**1,615**	**175,232**	**176,847**
Balance at 31 March 2016 carried forward	**133**	**364**	**12,815**	**5,657**	**18,969**	**(1,138,147)**	**(1,119,179)**
Movement in Reserves during 2016/17							
Deficit on the provision of services	-		-	(28,729)	(28,729)	-	(28,729)
Other Comprehensive Income and Expenditure	-		-	-	-	(158,224)	(158,224)
Total Comprehensive Income and Expenditure	**-**		**-**	**(28,729)**	**(28,729)**	**(158,224)**	**(186,953)**
Adjustments between accounting basis and funding basis under regulations (Note 9)	65	304	-	28,992	29,361	(29,361)	-
Net Increase / Decrease before Transfers to Earmarked Reserves	**65**	**304**	**-**	**264**	**633**	**(187,585)**	**(186,953)**
Net transfers (to)/from Earmarked Reserves (Note 10)	-		264	(264)	-	-	-
Increase/(Decrease) in 2016/17	**65**	**304**	**264**	**(0)**	**633**	**(187,585)**	**(186,953)**
Balance at 31 March 2017 carried forward	**198**	**668**	**13,079**	**5,657**	**19,601**	**(1,325,732)**	**(1,306,131)**

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PCC Movement in Reserves Statement

2016/17

The Movement in Reserves Statement shows the movement in the year on the different reserves held by the PCC, analysed into usable and unusable reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the PCC's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance. The Net Increase / Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from Earmarked Reserves undertaken by the PCC.

PCC	Capital Receipts Reserve	Capital Grants Unapplied	Earmarked Reserves	General Fund Balance	Total Usable Reserves	Unusable Reserves	Total PCC Reserves
	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2015 carried forward	**-**	**390**	**11,089**	**5,874**	**17,353**	**1,620**	**18,976**
Movement in Reserves during 2015/16							
Deficit on the provision of services	-	-	-	2,520	**2,520**	-	2,520
Other Comprehensive Income and Expenditure	-	-	-	-	-	1,394	1,394
Total Comprehensive Income and Expenditure	**-**	**-**	**-**	**2,520**	**2,520**	**1,394**	**3,914**
Adjustments between accounting basis and funding basis under regulations (Note 9)	133	(26)	-	(1,015)	**(908)**	908	-
Net Increase / Decrease before Transfers to Earmarked Reserves	**133**	**(26)**	**-**	**1,505**	**1,612**	**2,302**	**3,914**
Net transfers (to)/from Earmarked Reserves (Note 10)	-	-	1,726	(1,726)	-	-	-
Increase/(Decrease) in 2015/16	**133**	**(26)**	**1,726**	**(221)**	**1,612**	**2,302**	**3,914**
Balance at 31 March 2016 carried forward	**133**	**364**	**12,815**	**5,657**	**18,969**	**3,922**	**22,890**
Movement in Reserves during 2016/17							
Deficit on the provision of services	-	-	-	(713)	**(713)**	-	(713)
Other Comprehensive Income and Expenditure	-	-	-	-	-	1,910	1,910
Total Comprehensive Income and Expenditure	**-**	**-**	**-**	**(713)**	**(713)**	**1,910**	**1,197**
Adjustments between accounting basis and funding basis under regulations (Note 9)	65	304	-	977	**1,346**	(1,346)	-
Net Increase / Decrease before Transfers to Earmarked Reserves	**65**	**304**	**-**	**264**	**633**	**564**	**1,197**
Net transfers (to)/from Earmarked Reserves (Note 10)	-	-	264	(264)	-	-	-
Increase/(Decrease) in 2016/17	**65**	**304**	**264**	**-**	**633**	**564**	**1,197**
Balance at 31 March 2017 carried forward	**198**	**668**	**13,079**	**5,656**	**19,600**	**4,486**	**24,085**

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Group and PCC Balance Sheet

As at 31 March 2017

The Balance Sheet shows the value of the assets & liabilities recognised by the PCC Group and the PCC. For each entity the net assets are matched by the reserves held. Reserves are reported as Usable and Unusable Reserves. Unusable reserves include reserves that hold unrealised gains and losses, where amounts would only become available to provide services if the assets were sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2016				31 March 2017	
PCC £000	Group £000	Note		PCC £000	Group £000
30,656	30,656	15	Property, Plant and Equipment	31,575	31,575
1,025	1,025	17	Investment Property	1,179	1,179
3,249	3,249	18	Intangible Assets	3,920	3,920
58	58	15	Assets Held for Sale	58	58
34,987	**34,987**		**Long-Term Assets**	**36,731**	**36,731**
408	408	25	Inventories	386	386
18,956	18,956	26	Short-Term Debtors	21,068	21,068
4,618	4,618	27	Cash and Cash Equivalents	6,370	6,370
4,000	4,000	53	Short-Term Investments	-	-
27,982	**27,982**		**Current Assets**	**27,825**	**27,825**
(1,189)	(1,189)	53	Short-Term Borrowing	(1,012)	(1,012)
(16,787)	(16,787)	28	Short-Term Creditors	(17,994)	(17,994)
(1,236)	(1,236)	24	Other Short Term Liabilities	(1,479)	(1,479)
(665)	(681)	29	Short-Term Provisions	(644)	(660)
(120)	(120)	49	Capital Grants Receipts in Advance (< 1 yr)	(50)	(50)
(19,996)	**(20,013)**		**Current Liabilities**	**(21,179)**	**(21,196)**
(12,193)	(12,193)	53	Long-Term Borrowing	(11,301)	(11,301)
(1,712)	(1,143,628)	51	Pension Liabilities	(2,072)	(1,332,138)
(6,178)	(6,178)	24	Other Long-Term Liabilities	(5,918)	(5,918)
-	(136)	29	Long-Term Provisions	-	(136)
(20,083)	**(1,162,135)**		**Long-Term Liabilities**	**(19,291)**	**(1,349,493)**
22,890	**(1,119,179)**		**Net Assets**	**24,084**	**(1,306,132)**
18,969	18,969	30	Usable Reserves	19,600	19,600
3,922	(1,138,147)	31	Unusable Reserves	4,486	(1,325,732)
22,890	**(1,119,179)**		**Total Reserves**	**24,085**	**(1,306,132)**

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Group and PCC Cash Flow Statement

2016/17

The Cash Flow Statement shows the changes in cash and cash equivalents of the PCC Group during the financial year. The statement shows the cash and cash equivalents by operating, investing and financing activities. The net cash flows arising from operating activities is a key indicator of the extent to which the operations of the PCC Group are funded by way of taxation and grant income or from the recipients of services provided by the PCC Group. Investing activities represent the cash outflows relating to resources that contribute to the Group's future service delivery. Cash flows arising from financing activities are useful in predicting commitments to future cash flows by providers of capital to the PCC Group.

2015/16				2016/17	
PCC £000	**Group £000**	**Note**		**PCC £000**	**Group £000**
(2,520)	25,997		**Net (Surplus) or Deficit on the Provision of Services**	713	28,729
(8,225)	(36,742)	**37**	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(9,205)	(37,221)
118	118	**38**	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	69	69
(10,627)	**(10,627)**		**Net Cash Outflows from Operating Activities**	**(8,422)**	**(8,422)**
8,066	8,066	**40**	Investing Activities	4,121	4,121
2,548	2,548	**41**	Financing Activities	2,549	2,549
(13)	**(13)**		**Net (Increase) or Decrease in Cash and Cash Equivalents**	**(1,752)**	**(1,752)**
4,605	4,605	**27**	Cash and Cash Equivalents at the Beginning of the Reporting Period	4,618	4,618
4,618	4,618	**27**	Cash and Cash Equivalents at the End of the Reporting Period	6,371	6,371

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Notes to the Accounts

The notes below provide additional explanation or support for the information contained within the main financial statements for the Group and PCC (Movement in Reserves Statement, Expenditure and Funding Analysis, Comprehensive Income and Expenditure Statement, Balance Sheet and Cash Flow Statement). Where the balances and transactions explained are the same between the Group and PCC the note will only provide one explanation, where there are differences between the Group and PCC balances, the notes will outline both in the required detail.

Values are rounded to nearest £1,000 unless specified otherwise. Please note some slight rounding differences may occur.

1. Accounting Policies

1.1 General Principles

The Statement of Accounts summarises the PCC's transactions for the 2016/17 financial year and its position at the year end of 31 March 2017. The PCC is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015 which require the statements to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, supported by International Financial Reporting Standards.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

All accounting policies that are material to the production of the accounts are described in this section.

1.2 Prior period adjustments, Changes in Accounting Policies and Estimate and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the PCC 's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

1.3 Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received.

- Revenue from the sale of goods is recognised when the PCC transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the PCC;

- Revenue from the provision of services is recognised when the PCC can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the PCC;
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet;
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made;
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract;
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

1.4 Non-Current Assets – Property, Plant and Equipment

Property, plant and equipment are tangible items that are:

- Held for operational use, for rental to others, or for administrative purposes; and
- Expected to be used during more than one period.

1.4.1 Classification

Property, plant and equipment is classified under the following headings in the PCC's balance sheet:

Operational Assets:

- Land and Buildings;
- Vehicles, Plant, Furniture and Equipment;

Non-Operational Assets:

- Surplus Assets; and
- Assets Under Construction.

1.4.2 Initial Recognition

Recognition

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (ie repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- The purchase price
- Costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The authority does not capitalise borrowing costs incurred whilst assets are under construction.
The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (ie it will not lead to a variation in the cash flows of the authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the authority.

1.4.3 De Minimis Level

The PCC has a £10k de minimis level for recognising property, plant and equipment. This means that any item or scheme which meets the above criteria which is greater than £10k will be treated as capital. Items below £10k may also be considered for capital expenditure on a case by case basis. This relates to initial recognition and subsequent expenditure on assets.

1.4.4 Subsequent Expenditure

Where subsequent expenditure enhances an asset beyond its original specification, the directly attributable cost is added to the asset's carrying value. Where subsequent expenditure is simply restoring the asset to the specification assumed by its economic useful life then the expenditure is charged to operating expenses. Where considered appropriate, the cost of the replacement is capitalised if it meets the criteria for recognition above.

Where material, the carrying value of the component replaced is de-recognised. Where the value is not known the value of the enhancement is used as a proxy. Indexation is used to deduce historic cost and a revaluation reserve. De-recognition costs are charged initially against any revaluation reserve for the asset and then to the relevant service lines in the Comprehensive Income and Expenditure Statement.

1.4.5 Measurement after Recognition – Valuation Approach

Property, Plant and Equipment assets are valued on the basis recommended by CIPFA and in accordance with the Practice Statements in the Appraisal and Valuation Standards published by The Royal Institution of Chartered Surveyors (RICS), in particular UK Practice Statement 1.1 – 1.3. The PCC may rely on the advice of other relevant expert managers to value other assets.

Property, Plant and Equipment assets are classified into the groupings required by the Code of Practice on Local Authority Accounting. All operational and non-operational land and properties (including Investment Properties) were subjected to a full revaluation exercise at 1 April 2016. This valuation has been updated as at 31 March each year since, by way of a desktop revaluation of all assets.

All valuations are in accordance with the capital accounting rules.

1.5 Operational Assets

1.5.1 Land and Operational Properties:

Where the assets are considered by the valuers to be specialist in nature (for example custody suites in operational police stations) they are valued at current value with depreciated replacement cost (DRC) methodology, reflecting their value to the PCC in their current use. Due to the specialist nature of these buildings, the DRC value is normally higher than open market value. Where the assets are not considered to be specialist in nature, they are valued at fair value. Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arms-length transaction. For this section of the Code, fair value (for land and buildings) is to be interpreted as the amount that would be paid for the asset in its existing use. This requirement is met by providing a valuation on the basis of existing use value (EUV) in accordance with UKPS 1.3 of the RICS Valuation Standards. Also note that:

1.6 Non-Operational Assets

1.6.1 Surplus assets

Assets which the PCC no longer operates or are no longer used for service delivery, but are not investment properties or meet the definition for held for sale. They are valued at fair value and measured and depreciated in line with the operational asset class.

1.6.2 Assets Under Construction

Assets Under construction are held at historical cost. When these assets are operationally complete they will be reclassified into the appropriate asset class and valued under the adopted approach.

1.7 Valuation Programme

In years when there is a full revaluation (every 5 years) the steps to account for assets involve valuing assets at the start of the financial year, and then considering impairment issues at the end of the year

In all other years (including the 2016/17 financial year) the year end valuation encompasses all changes in value, whether from additions, disposals, changes in market value, impairment or other consumption of economic benefits.

The next full valuation will be carried out in 2021/22.

1.8 Component Accounting for Property, Plant and Equipment

The Code requires that assets included within property, plant and equipment are broken down into significant component parts. Where a large asset, for example a building, includes a number of components with significantly different asset lives then these components can be treated as separate assets and depreciated over their own useful economic lives. Only those components with material values and significantly different useful lives are classified as separate components in the asset register. Only assets with a value of at least £500k are reviewed for potential components.

Further details for component accounting are set out in the PCC's Componentisation Policy.

1.9 Revaluation Gains and Losses

Movements in value arising from revaluation of assets are reflected in the value of the assets held on the balance sheet.

1.9.1 Recognising a Revaluation Gain or Loss

Increases as a result of revaluations are debited to the appropriate asset account, with the opposite entry going to the Revaluation Reserve to recognise unrealised gains, except to the extent where it reverses a previous revaluation loss that was charged to a service revenue account within the Comprehensive Income & Expenditure Statement. In this case the revaluation gain will first be used to offset the previous loss and any further gain is then taken to the Revaluation Reserve. Component assets are treated as separate assets and therefore revalued separately. Revaluation gains charged to Surplus or Deficit on Provision of Services are transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

Decreases as a result of revaluation which are not specific to one asset but affect several are revaluations losses rather than impairments. The decrease is recognised in the Revaluation Reserve up to the balance in respect of each asset affected and then in Surplus or Deficit on Provision of Services. Any such charge taken to Surplus or Deficit on Provision of Services is then transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Any movements on revaluation arising before this date have been consolidated into the Capital Adjustment Account.

1.10 Depreciation

Depreciation is charged on all assets with a finite useful life (which can be determined at the time of acquisition or revaluation). Depreciation is charged against assets from the month they are capitalised, to the month that they are disposed, decommissioned or reach the end of their useful life.

The policy on useful asset life is as follows:

- Operational buildings (other than temporary buildings) are depreciated over their estimated useful life of between 20 and 75 years as estimated by the valuer;
- Furniture and non-specialist equipment is depreciated over 15 years;
- Vehicles, plant and specialist equipment (including computing equipment) are depreciated over their estimated useful lives (between 3 and 8 years dependent on the asset).

Depreciation is calculated as the current value of the asset divided by the useful existing life of the asset. Hence, revaluation gains are depreciated as well as the historic cost of the asset, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on the historic cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

For surplus assets awaiting disposal, depreciation is not charged to services. Rather, it is charged to non-distributed costs in the Income & Expenditure Statement. No depreciation is charged on: land; assets under construction; and assets held for sale. Depreciation of an asset begins when the asset becomes available for use and ceases when the asset has been de-recognised.

1.11 Disposal of Property, Plant and Equipment

An item of property, plant and equipment shall be de-recognised on disposal; or when no future economic benefits are expected from its use or disposal.

The gain or loss arising from disposals is shown in the Comprehensive Income and Expenditure Statement (netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Any receipt from the sale of an item on the asset register is categorised as capital receipts and can only be used for new capital investment or to repay the principal of any amounts borrowed.

1.12 Impairment of Non-Current Assets

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

1.13 Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the PCC as a result of past events (eg software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the PCC.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the PCC will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the PCC's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the PCC can be determined by reference to an active market. In practice, no intangible asset held by the PCC meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is

amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

De Minimis Level

The PCC has no de minimis level for recognising intangible assets. This relates to initial recognition and subsequent expenditure on assets.

1.14 Investment Properties

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

1.15 Non-Current Assets Held for Sale

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the following criteria are met as at the balance sheet date:

- The asset is available for immediate sale in its present condition subject to terms that are usual and customary for sales of such assets;
- The sale is highly probable (with management commitment to sell and active marketing of the asset initiated);
- It is actively marketed for a sale at a price that is reasonable in relation to its current fair value; and
- The sale should be expected to qualify for recognition as a completed sale within one year.

1.15.1 Measurement

Non-Current Assets Held for Sale are measured at the lower of carrying value and fair value less costs to sell (fair value here is the amount that would be paid for the asset in its highest and best use, i.e. market value).

1.15.2 Depreciation

Depreciation is not charged on non-current assets held for sale.

1.15.3 Disposal

Receipts from disposals are recognised in the Surplus or Deficit on provision of services.

Any receipt from the sale of an item on the asset register is categorised as capital receipts and can only be used for new capital investment or to repay the principal of any amounts borrowed.

1.16 Charges to Revenue for the use of Non-Current Assets

Police services and central support services are charged with a capital charge for all non-current assets used in the provision of services to record the real cost of holding fixed assets during the year. The total charge covers:

- The annual provision for depreciation;
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off;
- Amortisation of intangible assets.

The PCC is not required to raise council tax to cover depreciation, revaluation and impairment losses or amortisation. However, it is required to make a prudent annual provision from revenue to contribute towards the reduction in its overall borrowing requirement. This is known as the Minimum Revenue Provision.

1.17 Minimum Revenue Provision

The PCC makes provision for the repayment of debt in accordance with the Local Authorities (Capital Finance and Accounting, England, Amendment) Regulations 2008. This requires the PCC to set a Minimum Revenue Provision (MRP) which it considers to be prudent.

The accounts are charged with a capital charge for all non-current assets used in the provision of services. The total charge covers:

- The annual provision for depreciation;
- Impairment losses attributable to the clear consumption of economic benefits on non-current assets used by the PCC and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off;
- Amortisation of intangible assets attributable to the service;
- The annual contribution towards the reduction in overall borrowing, in accordance with the PCC's approved policy;
- 4% of the Capital Financing Requirement as at 31 March 2008, adjusted for repayments made since that date;

- 4% of any additional borrowing from 2008/09 onwards within our allocation of supported capital expenditure;
- Other borrowing from 2008/09 onwards, a repayment based on the asset life method.

Depreciation, revaluation and impairment losses and amortisation are therefore replaced by a revenue provision in the Movement in Reserves Statement, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

1.18 Revenue Expenditure Financed through Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset in the balance sheet has been charged as expenditure to the relevant service revenue account in the Comprehensive Income and Expenditure Statement in the year.

Statutory provision reverses these charges from the Surplus or Deficit on provision of services by debiting the Capital Adjustment Account and crediting the General Fund Balance through the Movement in Reserves Statement.

1.19 Classification of Leases

Leases are classified as a finance lease or an operating lease depending on the extent to which risks and rewards of ownership (substance of the transaction over its legal form) of a leased asset lie with the lessor (landlord) or the lessee (tenant).

Finance Lease

A Finance lease is when the lease arrangement transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee.

Operating Lease

All other leases are determined to be operating leases.

1.20 Finance Leases

The PCC as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the PCC are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the PCC at the end of the lease period).

The PCC is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease; even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The PCC as Lessor

Finance Leases

Where the PCC grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the PCC's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- Finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to [the Deferred Capital Receipts Reserve (England and Wales) or Capital Receipts Reserve (Scotland)] in Movement in Reserves Statement. [When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve (England and Wales).]

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing.

Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

Where the PCC grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

[Additional policy detail required where an PCC has material sale and leaseback assets.]

1.21 Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the PCC when there is reasonable assurance that:

- The PCC will comply with the conditions attached to the payments;
- The grants or contributions will be received.

Amounts recognised as due to the PCC are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-specific Grant Income and Expenditure (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

1.22 Debtors

Debtors are recognised in the accounts when the ordered goods or services have been delivered or rendered by the PCC by the 31 March but the income has not yet been received. Debtors are recognised and measured at fair value in the accounts.

There is no de-minimis for capital or revenue income accruals.

Where there are differences between the Group and PCC balance at 31 March the note will show both balances.

1.23 Creditors

Creditors are recorded where goods or services have been supplied to the PCC by 31 March but payment is not made until the following financial year. Creditors are recognised and measured at fair value in the accounts.

There is no de-minimis for capital or revenue accruals.

Where there are differences between the Group and PCC balance at 31 March the note will show both balances.

1.24 Debt impairment

The PCC makes a provision for debts which may go bad or not be paid in full. Where it is doubtful that debts will be settled, the fair value of that debt is written down accordingly and a charge made to the Comprehensive Income and Expenditure Statement for the income that might not be collected.

The PCC's policy is to review outstanding debts annually in order to allow for debt impairment.

1.25 Inventories

Inventory assets include materials or supplies to be consumed or distributed in the rendering of services. This includes fuel, uniforms and general stores. These are carried at the lower of cost (calculated as an average price) or current replacement cost (at the balance sheet date for an equivalent quantity).

A de minimis of £5k is set before a group of stock items would need to be accounted for at the year end.

1.26 Investments and Cash and Cash Equivalents

Investments

The PCC will classify these as follows:

- Short-term deposits (due to be returned within 12 months after 31 March) held for investment purposes for the returns offered are classed as Short-term Investments;
- Deposits held for investment purposes for the returns offered which are due for return more than a year after 31 March are classed as Long Term Investments.

Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. In the cash flow statement cash and cash equivalents are shown net of bank overdrafts that are repayable on demand or form an integral part of the Force's cash management.

1.27 Provisions

Provisions are made where an event has taken place that gives the PCC a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the PCC may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the PCC becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the PCC settles the obligation.

1.28 Contingent Liabilities

A contingent liability is where there is a possible obligation to transfer economic benefits due to a past event, but the possible obligation will only be confirmed by the occurrence or non-occurrence of one or more events in the future, not wholly be within the control of the PCC. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

The PCC discloses these obligations in the narrative notes to the accounts if greater than £100k.

These amounts are not recorded in the PCC's accounts because:

- It is not probable that an outflow of economic benefits or service potential will be required to settle the obligation, or
- The amount of the obligation cannot be measured with sufficient reliability at the year end.

1.29 Contingent Assets

A contingent asset is where there is a possible transfer of economic benefit to the PCC from a past event, but the possible transfer will only be confirmed by the occurrence or non-occurrence of one or more events in the future. These events may not wholly be within the control of the PCC.

The PCC discloses these rights in the narrative notes to the accounts if greater than £100k.

1.30 Reserves

The force sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from reserves is incurred, it is charged to the appropriate service in that year against the Surplus of Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in reserves Statement so that there is no net charge against council tax for the expenditure.

Usable Reserves

The PCC's general revenue balances are held in the General Fund. The PCC also maintains a number of specific 'earmarked' reserves for future expenditure on either target service areas or to cover contingencies. They are described in more detail in notes to the accounts.

Unusable Reserves

Certain reserves are kept to maintain the accounting processes for non-current assets, financial instruments and retirement benefits. These accounts do not represent usable resources for the PCC.

1.31 Events after the Reporting Period

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events;
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

1.32 Recognition of Revenue (Income and Expenditure)

Revenue shall be measured at the fair value of the consideration received or receivable. Revenue is recognised only when it is probable that the economic benefits or service potential associated with the transaction will flow to the PCC.

1.33 Costs of Overheads and Support Services

The costs of overheads and support services are charged to service segments in accordance with the authority's arrangements for the accountability and financial performance.

1.34 Value Added Tax (VAT)

The PCC's Comprehensive Income & Expenditure Statement excludes VAT. All VAT must be passed on to (where output tax exceeds input tax) or repaid by (where input tax exceeds output tax) HM Revenue and Customs.

The net amount due to or from HM Revenue and Customs for VAT at the year-end shall be included as part of creditors or debtors balance.

1.35 Fair Value Measurement

The PCC measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings [*other financial instruments as applicable*] at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The PCC measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the PCC takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The PCC uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the PCC's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the PCC can access at the measurement date
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 – unobservable inputs for the asset or liability.

1.36 Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the PCC . An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the PCC to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service segment or, where applicable, to a corporate service segment at the earlier of when the PCC can no longer withdraw the offer of those benefits or when the PCC recognises costs for a restructuring. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the PCC to the pension

fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post-employment Benefits

Employees of the PCC Group are members of two separate pension schemes:

- The Police Officer Pension Scheme, for which the scheme manager is the Chief Constable;
- The Local Government Pensions Scheme, administered by West Yorkshire Pension Fund on behalf of Lincolnshire County Council.

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees.

The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Lincolnshire pension fund attributable to the PCC are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc. and projections of projected earnings for current employees;
- Liabilities are discounted to their value at current prices, using a discount rate of 3.5% (based on the indicative rate of return on high quality AA index corporate bonds;
- The assets of Lincolnshire pension fund attributable to the PCC are included in the Balance Sheet at their fair value as follows:
    - Quoted securities – current bid price;
    - Unquoted securities – professional estimate;
    - Unitised securities – current bid price;
    - Property – market value.

The Police Officer Pension Scheme

The police officer pension schemes (both the old and new schemes) are accounted for as a defined benefit scheme:

- The liabilities of the Lincolnshire pension fund attributable to the Chief Constable are included in the Balance Sheet on an actuarial basis using the projected unit method – ie an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees;
- Liabilities are discounted to their value at current prices, using a discount rate of 3.5% (based on the indicative rate of return on high quality AA index corporate bonds;

Pension Scheme Policies

The change in the net pensions liability is analysed into the following components:

- Service cost comprising:
  - Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
  - Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement to a corporate service segment;
  - Net interest on the net defined benefit liability (asset), ie net interest expense for the PCC – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- Re-measurements comprising:
  - The return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
  - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
  - Contributions paid to the Lincolnshire pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the PCC to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows, rather than when the benefits are earned by employees.

Discretionary Benefits

The PCC also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and

accounted for using the same policies as are applied to the Local Government Pension Scheme.

Police Officer Pensions – Home Office Memorandum Account

From 1 April 2006 the Home Office changed the methods of financing police pensions. Effectively the PCC has continued to make payments but accounts for these outside of the accounts in a separate memorandum account. This is included as supplementary statement to the accounts.

1.37 Joint Operations

Joint operations are joint arrangements in which the PCC and other venturers have joint control of the arrangement. The parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. The PCC accounts for only its share of the joint operations assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint operation and income that it earns from the venture.

1.38 Financial Instruments

1.38.1 Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the PCC becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For all of the borrowings that the PCC has, this means that:

- The amount presented in the Balance Sheet is the outstanding principal repayable, plus accrued interest and;
- Interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

The PCC has not undertaken any repurchasing or early settlement of borrowing.

1.38.2 Financial Assets

Financial assets are classified into four types: loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market; available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments; fair value through profit and loss – assets that are held for trading and derivatives with a positive value; and held for maturity – assets that have fixed or determinable payments and a fixed maturity.

The PCC only has loans and receivables.

1.38.3 Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the PCC becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing Investment Income and Expenditure line in the Comprehensive Income

and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

The PCC's loans and receivables comprise: short term investments, trade debtors, accrued income and 'other receivables'.

2. Accounting Standards Issued but not yet adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code) has introduced changes in accounting policy which will be required from 1 April 2017. If these had been adopted for the financial year 2016/17 there would be no known material changes. If further information becomes available that requires changes to 2016/17 these will be restated in the 2017/18 financial statements.

These changes are:

- Amendments to the reporting of pension fund scheme transaction costs
- Amendment to the reporting of investment concentration

3. Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the PCC Group has had to make certain judgements about complex transactions or those involving uncertainty about future events. The significant judgements made in the Statement of Accounts are:

- There is uncertainty about service provision following government decisions to reduce future levels of funding for the PCC Group. However, the Group has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Group might be impaired as a result of a need to close facilities and reduce levels of service provision;
- As part of the strategic partnership with G4S, the transfer of some specialised equipment and intangible assets, have been treated as a disposal of assets. The subsequent use of the assets creates a finance lease under IFRIC 4. Hence, the transfer valuation appears in the asset register of the PCC and is depreciated and re-valued in line with accounting policies. There is a matching finance lease liability that is written down over the individual asset lives;
- For retirement benefits, the interpretation of CIPFA guidance differs from that of the Code itself. CIPFA guidance expects plan assets to be included in our financial statements, but the Code says not to include them. This means that by following the CIPFA guidance, the PCC has treated pension top up as an employers' contribution, reducing the overall pension liability. The impact of this on the General Reserve is reversed through the Movement in Reserves Statement, with a corresponding entry in the Pensions Reserve. The PCC and the Chief Finance Officer have concluded that this approach presents a true and fair view of the PCC's financial position, financial performance and cash flow;
- Masts are treated as investment properties as they are not used directly by the Group for operational purposes. The Force may make incidental use of them via third party suppliers, but ownership and control of the assets is not relevant to our policing requirements;
- The Scheme of Arrangements within the PCC Group and the governance arrangements indicate that the Chief Constable controls police officers and police staff, with the exception of PCC staff. The PCC controls income, assets and usable reserves.

- G4S joined Lincolnshire Pension Fund as a new Transferee Admission Body on 1 April 2012 on a "pass through" arrangement for a contract term of 10 years. Lincolnshire Police are considered to be the principal rather than merely an agent in these transactions as they retain responsibility for the liabilities. Hence, the IAS19 results as at 31 March 2017 reflect the combined G4S and Lincolnshire Police pension fund assets and liabilities.

4. PCC Post Balance Sheet Events

Adjusting Events

There have been no material post balance sheet events between the year end and the date of approval of these accounts which require adjustment to these financial statements.

5. Prior Period Adjustments

There have been no prior period adjustments in the accounts.

6. Assumptions and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the PCC about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

Item	Uncertainties	Effect if actual results differ from assumptions
Pension liability (Group) £1,332,138k of which £2,072k relates to the PCC	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the PCC with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions have been measured and described in the tables below. The tables give an indication of the impact of changes in the main assumptions but are not an exhaustive list of the variables involved.
Actuarial Assumptions (Group) £1,332,138k of which £2,072k relates to the PCC	The actuaries have assumed that CPI will be approximately 1% p.a. below RPI on average.	As a market in CPI linked bonds does not exist the actuaries need to make an estimate of the long term gap between RPI and CPI in order to arrive at a CPI assumption for the accounts. The assumption that CPI will be 1% below RPI on average leads to future service costs being around 8% lower than if the RPI indicator was used.

The items in the PCC's Group Balance Sheet at 31 March 2017 for which there is a significant risk of material adjustment in the forthcoming financial year are described below. The main area of fluctuation is the assessment of pension's assets and liabilities. Hence, these are considered separately.

Pension assumptions

The sensitivities regarding the Police Pension Scheme liabilities are set out below.

Change in financial and demographic assumptions	Approximate percentage increase likely to employer liability	Approximate monetary amount (£m)
0.5% decrease in the Real Discount Rate	10%	130.10
1 year increase in member life expectancy	3%	38.60
0.5% increase in the Salary Increase Rate	2%	19.40
0.5% increase in the Pensions Increase Rate (CPI)	8%	101.10

The sensitivities regarding the Police Pension Scheme current service costs are set out below.

Change in financial and demographic assumptions	Approximate percentage increase to projected current service cost	Approximate monetary amount (£m)
0.5% decrease in the Real Discount Rate	19%	5.76
1 year increase in member life expectancy	3%	0.91
0.5% increase in the Salary Increase Rate	8%	2.42
0.5% increase in the Pensions Increase Rate (CPI)	10%	3.14

The sensitivities regarding the principal assumptions used to measure the liabilities in the Local Government Pension Scheme are set out below.

Change in financial and demographic assumptions	Approximate percentage increase likely to employer liability	Approximate monetary increase (£m)
0.5% decrease in the Real Discount Rate	11%	19.87
0.5% increase in the Salary Increase Rate	2%	3.14
0.5% increase in the Pensions Increase Rate	9%	16.45

Other Areas of Estimation Uncertainty

Item	Uncertainties	Effect if actual results differ from assumptions
Property, plant	Valuations are provided at a specific date.	The last year has seen a 7% increase in the PPE figures

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and equipment £31,575k	Market conditions can change at short notice.	However, much of this is due to the quinquennial revaluation.
Classification of leases £7,397k	There is some subjective interpretation of contract information when classifying some arrangements as finance or operating leases. For some equipment, the nature of the agreement points to a finance lease, but the details in the contract do not allow accurate calculations to be performed.	We have treated some arrangements as operating leases in the absence of the necessary information to account for them as finance leases. Assets and liabilities may be understated in the Balance Sheet
Collection fund balances £565k	Estimates have been used to show the proportion of income due to the PCC for council tax, but held by the district councils in their collection fund account. Some councils have estimated their year-end surplus and the associated Balance Sheet figures, but have had to do so several months before the collection fund accounts are prepared.	There is no impact on the General Fund Balance. The surplus in the Comprehensive Income and Expenditure Statement and the associated Balance Sheet figures could vary by up to £200k.
Accumulated Absences (Group) £1,478k Increase in year of £71k	The calculation is based on the balance of hours owed to or owing by each individual recorded in the Duty Management System which includes Annual Leave, Time Off In Lieu and Rest Days in Lieu. Adjustments have been made to remove negative balances and reduce high carry forward balances that significantly exceed policy. Annual Leave is restricted to 5 days, as per policy. The hourly rate used is based on the average pay from the March payroll files.	Actual balances have since been calculated for approved carry forward and the figures are not materially different to the estimates, therefore no adjustments have been made.

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7. Expenditure and Funding Analysis

2015/16					Group	2016/17			
Adjustments for Capital Purposes £000	Net change for the Pensions Adjustments £000	Other Differences £000	Total Adjustments £000	Note		Adjustments for Capital Purposes £000	Net change for the Pensions Adjustments £000	Other Differences £000	Total Adjustments £000
112	49	(395)	(233)		Police and Crime Commissioner	3,590	(54)	71	3,607
	(13,527)		(13,527)		Chief Constable	-	(11,700)	-	(11,700)
			-		Joint Services	-	-	-	-
112	**(13,478)**	**(395)**	**(13,760)**		**Cost of Services**	**3,590**	**(11,754)**	**71**	**(8,093)**
1,104	-		1,104	**11**	Other Operating Expenditure	1,722	-	-	1,722
(55)	42,117		42,062	**12**	Financing and Investment Income and Expenditure	(154)	39,774	-	39,621
(1,606)		(297)	(1,903)	**13**	Taxation and Non-Specific Grant Income	(4,707)		450	(4,256)
(443)	**28,639**	**(692)**	**27,503**		**Difference between General Fund (Surplus) or Deficit and CIES (Surplus) or Deficit**	**452**	**28,020**	**522**	**28,992**

2015/16					PCC	2016/17			
Adjustments for Capital Purposes £000	Net change for the Pensions Adjustments £000	Other Differences £000	Total Adjustments £000	Note		Adjustments for Capital Purposes £000	Net change for the Pensions Adjustments £000	Other Differences £000	Total Adjustments £000
112	49	(395)	(233)		Police and Crime Commissioner	3,590	(54)	71	3,607
			-		Joint Services	-	-	-	-
112	**49**	**(395)**	**(233)**		**Cost of Services**	**3,590**	**(54)**	**71**	**3,607**
1,104	-		1,104	**11**	Other Operating Expenditure	1,722	-	-	1,722
(55)	73		18	**12**	Financing and Investment Income and Expenditure	(154)	59	-	(95)
(1,606)	-	(297)	(1,903)	**13**	Taxation and Non-Specific Grant Income	(4,707)		450	(4,256)
(443)	**122**	**(692)**	**(1,014)**		**Difference between General Fund (Surplus) or Deficit and CIES (Surplus) or Deficit**	**452**	**5**	**522**	**977**

Adjustments for Capital Purposes

Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

- **Other operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- **Financing and investment income and expenditure** – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- **Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net Change for the Pensions Adjustments

Net change for the removal of pension contributions and the addition of IAS 19 *Employee Benefits* pension related expenditure and income:

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- **Services** represent the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- **Financing and investment income and expenditure –**- the net interest on the defined benefit liability is charged to the CIES.

Other Differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- **Financing and investment income and expenditure** other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- The charge under **Taxation and non-specific grant income and expenditure** represents the difference between what is chargeable under statutory regulations for council tax that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

8. Expenditure Analysed by Nature

2015/16 £000	Group Expenditure and Income	2016/17 £000
	Expenditure	
47,843	Police Pay and Allowances	48,549
18,661	Police Staff Pay and Allowances	17,337
858	Other Employee Expenses	930
1,099	Police Pensions - Ill Health Retirements	872
17,891	Police Pension costs	20,504
2,491	Premises	2,605
1,883	Transport	1,875
11,263	Supplies and Services	12,828
20,560	Third Party Payments	22,999
-	Support Services	280
400	Capital Financing	3,467
3,822	Depreciation and amortisation	3,780
1,104	Gains or (losses) on the disposal of assets (net)	1,719
660	Precepts and levies	662
91	Seconded Officers (net)	72
43,314	Interest and investment expenditure	41,012
171,940	**Total expenditure**	**179,491**
	Income	
(11,329)	Fees, charges and other service income	(13,301)
(257)	Interest and investment income	(314)
(50,361)	Income from council tax	(51,705)
(83,997)	Government grants and contributions	(85,443)
(145,945)	**Total income**	**(150,762)**
25,997	**(Surplus) or Deficit on the Provision of Services**	**28,729**

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2015/16 £000	PCC Expenditure and Income	2016/17 £000
	Expenditure	
1,511	Police Staff Pay and Allowances	3,067
28	Other Employee Expenses	57
2	Transport	1
2,909	Supplies and Services	1,798
20,509	Third Party Payments	22,829
720	Support Services	280
400	Capital Financing	3,467
3,822	Depreciation and amortisation	3,780
1,104	Gains or (losses) on the disposal of assets	1,719
1,270	Interest and investment expenditure	1,297
105,254	Intra Group financing	108,030
137,528	**Total expenditure**	**146,324**
	Income	
(5,435)	Fees, charges and other service income	(8,149)
(257)	Interest and investment income	(314)
(50,361)	Income from council tax	(51,705)
(83,997)	Government grants and contributions	(85,443)
(140,051)	**Total income**	**(145,610)**
(2,520)	**(Surplus) or Deficit on the Provision of Services**	**714**

9. Adjustments between Accounting Basis and Funding Basis under Regulations

Adjustments are made to the total comprehensive income and expenditure recognised by both the PCC Group and the PCC in the year in accordance with accounting practice.

The following sets out a description of the reserves that the adjustments are made against.

General Fund Balance

The General Fund is the statutory fund into which all the receipts are required to be paid and out of which all liabilities are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the PCC is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the PCC is required to recover) at the end of the financial year.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year end.

Capital Grants Unapplied

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects, for which the Force has met the conditions that would otherwise require repayment of the monies, but which yet to be applied to meet

expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and / or the financial year in which this can take place.

2015/16 Adjustment between Accounting Basis and Funding Basis

2015/16 Group Comparative Figures	Usable Reserves			
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Usable Reserves £000
Adjustments to the Revenue Resources				
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:				
Pensions costs (transferred to (or from) the Pensions Reserve)	28,639	-	-	(28,639)
Council tax (transferred to or from Collection Fund)	(297)	-	-	297
Unused Leave (transferred to the Accumulated Absences Reserve)	(395)	-	-	395
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account):	3,918	-	-	(3,918)
Total Adjustments to Revenue Resources	**31,866**			**(31,866)**
Adjustments between Revenue and Capital Resources				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(134)	134	-	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(3,214)	-	-	3,214
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(1,041)	-	-	1,041
Total Adjustments between Revenue and Capital Resources	**(4,389)**	**134**	**-**	**4,255**
Adjustments to Capital Resources				
Use of the Capital Receipts Reserve to finance capital expenditure Application of capital grants to finance capital expenditure	26	-	(26)	-
Total Adjustments to Capital Resources	26	-	(26)	-
Total Adjustments	**27,503**	**134**	**(26)**	**(27,611)**

2015/16 PCC Comparative Figures	Usable Reserves			
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Usable Reserves £000
Adjustments to the Revenue Resources				
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:				
Pensions costs (transferred to (or from) the Pensions Reserve)	122	-	-	(122)
Council tax (transferred to or from Collection Fund)	(297)	-	-	297
Unused Leave (transferred to the Accumulated Absences Reserve)	(395)	-	-	395
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account):	3,918	-	-	(3,918)
Total Adjustments to Revenue Resources	**3,348**	**-**	**-**	**(3,348)**
Adjustments between Revenue and Capital Resources				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(134)	134	-	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(3,214)	-	-	3,214
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(1,041)	-	-	1,041
Total Adjustments between Revenue and Capital Resources	**(4,389)**	**134**		**4,255**
Adjustments to Capital Resources				
Use of the Capital Receipts Reserve to finance capital expenditure Application of capital grants to finance capital expenditure	26	-	(26)	-
Total Adjustments to Capital Resources	26	-	(26)	-
Total Adjustments	**(1,015)**	**134**	**(26)**	**907**

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2016/17 Adjustment between Accounting Basis and Funding Basis

2016/17 Group	Usable Reserves			
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Usable Reserves £000
Adjustments to the Revenue Resources				
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:				
Pensions costs (transferred to (or from) the Pensions Reserve)	28,020	-	-	(28,020)
Council tax (transferred to or from Collection Fund)	450	-	-	(450)
Unused Leave (transferred to the Accumulated Absences Reserve)	71	-	-	(71)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account):	4,486	-	-	(4,486)
Total Adjustments to Revenue Resources	**33,027**			**(33,027)**
Adjustments between Revenue and Capital Resources				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(65)	65	-	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(3,217)	-	-	3,217
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(448)	-	-	448
Total Adjustments between Revenue and Capital Resources	**(3,731)**	**65**		**3,666**
Adjustments to Capital Resources				
Use of the Capital Receipts Reserve to finance capital expenditure Application of capital grants to finance capital expenditure	(304)	-	304	-
Total Adjustments to Capital Resources	(304)	-	304	-
Total Adjustments	**28,992**	**65**	**304**	**(29,361)**

2016/17 PCC	Usable Reserves			
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Usable Reserves £000
Adjustments to the Revenue Resources				
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:				
Pensions costs (transferred to (or from) the Pensions Reserve)	5	-	-	(5)
Council tax (transferred to or from Collection Fund)	450	-	-	(450)
Unused Leave (transferred to the Accumulated Absences Reserve)	71	-	-	(71)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account):	4,486	-	-	(4,486)
Total Adjustments to Revenue Resources	**5,012**			**(5,012)**
Adjustments between Revenue and Capital Resources				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(65)	65	-	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(3,217)	-	-	3,217
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(448)	-	-	448
Total Adjustments between Revenue and Capital Resources	**(3,731)**	**65**		**3,666**
Adjustments to Capital Resources				
Use of the Capital Receipts Reserve to finance capital expenditure Application of capital grants to finance capital expenditure	(304)	-	304	-
Total Adjustments to Capital Resources	(304)	-	304	-
Total Adjustments	**977**	**65**	**304**	**(1,346)**

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10. Transfers to / from Earmarked Reserves

Group / PCC	Balance at 31 March 2015 £000	Transfers Out 2015/16 £000	Transfers In 2015/16 £000	Transfer Between Reserves 2015/16 £000	Balance at 31 March 2016 £000	Transfers Out 2016/17 £000	Transfers In 2016/17 £000	Transfer Between Reserves 2016/17 £000	Balance at 31 March 2017 £000
Major Incidents	**2,350**	(408)		(92)	**1,850**				**1,850**
Insurance	**903**				**903**		97		**1,000**
Proceeds of Crime Act	**220**	(32)			**188**	(18)			**170**
Employee Welfare Reserve	**42**				**42**	(10)	25		**57**
Migration Impact	**54**			(54)	**-**				**-**
Budget Flexibility Reserve	**2,557**		2,031	425	**5,013**	(2,461)	2,008	469	**5,029**
Development & Partnership Working	**599**	(110)	488		**977**	(140)			**837**
Niche Data Quality & Regional Transformation	**196**	(20)			**176**	(27)	13		**162**
Partner Agency Funding	**142**			(21)	**121**				**121**
Performance & Productivity	**944**	(260)			**684**	(330)	646		**1,000**
Volunteers Initiative	**493**	(277)			**216**	(216)			**-**
Second Homes	**145**			(145)	**-**				**-**
DPMU Posts	**185**	(185)			**-**				**-**
Mobile Data	**193**	(139)			**54**	(45)			**9**
CATS / Niche Back Office	**100**				**100**				**100**
Hi-Tech Crime Computer Analysis	**68**	(39)			**29**	(29)			**-**
Mobile Data Capital scheme	**280**	(280)			**-**				**-**
PSN Capital scheme	**220**	(220)			**-**				**-**
Innovation Fund	**76**				**76**				**76**
Strategic Partnership Carry Forward	**427**				**427**	(106)			**321**
Home Office ICT Charges	**102**	(102)			**-**				**-**
Data Kiosk Project	**31**	(31)			**-**				**-**
IL4 Solution	**140**	(140)			**-**				**-**
Various Reserves under £40k	**164**	(150)		(14)	**0**				**0**
Blue Light Integration	**100**		147	(100)	**147**	(147)			**0**
Internships	**-**		52		**52**	(32)	20		**40**
Corporate Communications	**-**		30		**30**	(30)			**-**
East Midlands Operational	**-**		83		**83**	(83)			**-**
CSI Mileage for staff relocation	**-**		10		**10**	(10)			**-**
East Midlands Criminal Justice	**-**		25		**25**	(25)			**-**
Innovation Funds Carry Forward	**-**		749		**749**	(280)	35	(469)	**35**
Capital Financing Reserve	**-**		321		**321**		330		**651**
Operation Hillstar Staffing Commitment	**-**				**-**		200		**200**
ASB Case Management	**-**				**-**		21		**21**
Corporate Communications	**-**				**-**		59		**59**
Bank Holiday maternity pay	**-**				**-**		60		**60**
Telephony system scoping	**-**				**-**		15		**15**
FCR Mental Health Nurse	**-**				**-**		60		**60**
Regional NICHE	**-**				**-**		357		**357**
Crime Prevention Scheme SKDC	**-**				**-**		11		**11**
Policing Model Carry Forward	**-**				**-**		51		**51**
Ill Health Retirements	**-**				**-**		225		**225**
Staffing Reserve	**-**				**-**		100		**100**
Subtotal	**10,731**	**(2,393)**	**3,936**	**(0)**	**12,274**	**(3,988)**	**4,334**	**-**	**12,619**
Regional Reserve	359		183		542	(82)			**460**
Total	**11,090**	**(2,393)**	**4,119**		**12,816**	**(4,070)**	**4,334**	**-**	**13,079**

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Descriptions of the Earmarked Reserves

Earmarked Reserves - Group / PCC Balance at 31 March 2017	£000	Description of Reserve
Major Incidents	1,850	The requirements of operational policing vary significantly from year to year. The reserve ensures that the PCC Group has funds available to respond to the requirements of major incidents.
Insurance	1,000	To support the costs of on-going claims and for future unforeseen claims which have not yet arisen and for which revenue provision is insufficient.
Proceeds of Crime Act	170	The police share of assets recovered from the proceeds of crime is reserved for investing in further financial investigation work.
Employee Welfare Reserve	57	Reserved sum to improve the working environment of employees.
Budget Flexibility Reserve	5,029	Reserve to be used to support future revenue budgets.
Development & Partnership Working	837	Reserve to be used for Victims commissioning, force Intranet, governance, and Channel Management.
Niche Data Quality team & Regional Transformation	162	Reserve to be used for funding of specific Regional Initiatives.
Partner Agency funding	121	Reserve for Funding received from NHS (custody transformation) & LCJB.
Performance & Productivity	1,000	Reserve to fund business change and efficiency projects.
Mobile Data	9	Reserve for additional costs of the Mobile Data implementation.
CATS / Niche Back Office	100	Reserve to support the CATS / Niche system record conversion.
Innovation Funds	35	Round 2 Innovation final costs.
Body Worn Cameras	76	Reserve to fund purchase of Body Worn Cameras as part of Innovation Fund scheme.
Strategic Partnership C/Fwd	321	Reserve relating to service improvements for strategic partnership contract.
Staffing commitment on Operation Hillstar	200	Staffing commitment on Operation Hillstar (ongoing Major Incident).
Internships	40	Reserve to cover the costs associated with an internship scheme.
Corporate Communications	59	Reserve created to cover cost of interns in department along with a new contract cost to benefit the whole organisation.
ASB Case Management	21	An administrator post in the Crime Dept with to specialise in Anti Social Behavoiur.
Bank Holiday maternity pay reserve	60	A future commitment may arise where back dated payments are made to staff.
Telephony Scoping System	15	Costs to cover the development work around a new phone system.
Mental Health Nurse FCR	60	Plans are in place to add a registered mental health professional in to the FCR.
Regional NICHE	357	Surplus generated on the Derbyshire NICHE project to use on future regional development.
Crime Prevention Scheme SKDC	11	CCTV initiative start up costs in connection with partner agency.
Policing Model	51	Carryforward project underspend to fund future commitments.
Ill Health Retirements	225	Reserve to ensure Force can meet the cost of potential Ill Health retirements.
Capital Financing Reserve	651	Reserve allocation set aside to fund future capital programme items.
Staffing Reserve	100	To provide for potential base budget shortfalls in the event the vacancy factor isnt met.
Sub-Total	**12,619**	
Regional Reserve	460	Reserves from surplus of funding relating to regional expenditure.
Total	**13,079**	

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11. Other Operating Expenditure

2015/16			Group	2016/17		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
1,222	(118)	1,104	(Gains) or Losses on the Disposal of Property, Plant and Equipment	1,787	(69)	1,719
660	-	660	Levies	662	-	662
682	(591)	91	Seconded Officers	634	(562)	72
2,564	**(709)**	**1,856**		**3,083**	**(630)**	**2,453**

2015/16			PCC	2016/17		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
1,222	(118)	1,104	(Gains) or Losses on the Disposal of Property, Plant and Equipment	1,787	(69)	1,719
1,222	**(118)**	**1,104**		**1,787**	**(69)**	**1,719**

Levies are the Chief Constable's contributions towards national police computing systems provided by the Home Office.

12. Financing and Investment Income and Expenditure

2015/16			Group	2016/17		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
616	-	616	Interest Payable on Debt	566	-	566
574	-	574	Interest Element of Finance Lease (Lessee)	647	-	647
42,117	-	42,117	Pensions Interest Cost and Expected Return on Pensions Assets	39,774	-	39,774
-	(62)	(62)	Investment Interest Income	-	(41)	(41)
-	(140)	(140)	Rentals Received on Investment Properties		(120)	(120)
7	-	7	Expenses Incurred on Investment Properties	25	-	25
-	(55)	(55)	Changes in Fair Value of Investment Properties		(154)	(154)
43,314	**(257)**	**43,056**		**41,012**	**(314)**	**40,698**

2015/16			PCC	2016/17		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
616	-	616	Interest Payable on Debt	566	-	566
574	-	574	Interest Element of Finance Lease (Lessee)	647	-	647
73	-	73	Pensions Interest Cost and Expected Return on Pensions Assets	59	-	59
-	(62)	(62)	Investment Interest Income	-	(41)	(41)
-	(140)	(140)	Rentals Received on Investment Properties		(120)	(120)
7	-	7	Expenses Incurred on Investment Properties	25	-	25
-	(55)	(55)	Changes in Fair Value of Investment Properties		(154)	(154)
1,270	**(257)**	**1,013**		**1,297**	**(314)**	**983**

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13. Taxation and Non-Specific Grant Income

2015/16			Group / PCC	2016/17		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
-	(1,442)	(1,442)	Recognised Capital Grants and Contributions	-	(4,536)	(4,536)
-	(59,065)	(59,065)	General Government Grants	-	(58,728)	(58,728)
	(5,775)	(5,775)	Council Tax Support Grant	-	(5,775)	(5,775)
-	(1,059)	(1,059)	Council Tax Freeze Grant	-	(1,059)	(1,059)
-	(43,527)	(43,527)	Council Tax Income	-	(44,871)	(44,871)
-	(23,490)	(23,490)	Home Office Grant Payable tow ards the Cost of Retirement Benefits	-	(22,008)	(22,008)
-	-	-	Regional Grant income	-	(171)	(171)
-	**(134,358)**	**(134,358)**		**-**	**(137,148)**	**(137,148)**

14. Intra-group Financing

An annual intra-group transfer of funds is made by the PCC to the Chief Constable. This intra-group transfer will equal the income requirement for the Chief Constable.

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15. Property, Plant and Equipment

Movements and closing balances in 2015/16 Group / PCC	Land and Buildings £000	Vehicles, Plant, Furniture and £000	Assets Held for Sale £000	Assets Under Construction £000	Total Property, Plant and £000
Cost or Valuation					
At 1 April 2015	21,877	25,689	-	443	48,009
Additions	1,010	1,806		880	3,696
Revaluation Increases/ (decreases) recognised in the Revaluation Reserve	336	-	-	-	336
Revaluation Increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(532)	-	(11)	-	(543)
Derecognition - Disposals	(42)	(834)	-	-	(876)
Derecognition - Leased assets		(1,055)	-	-	(1,055)
Assets reclassified to/from Assets Under Construction	279	256	68	(603)	-
Assets reclassified to/from AUC to revenue				(2)	(2)
Assets reclassification	10	261	-	-	271
Asset additions leased		1,055	-	-	1,055
At 31 March 2016	**22,937**	**27,178**	**58**	**717**	**50,891**
Depreciation and Impairment					
At 1 April 2015	-	(17,922)	-	-	(17,922)
Depreciation written out through the revaluation reserve	402		-	-	402
Derecognition - Disposals		832	-	-	832
Depreciation charge in year	(402)	(2,799)	-	-	(3,201)
Assets reclassification	(32)	(256)	-	-	(288)
At 31 March 2016	**(32)**	**(20,145)**	**-**	**-**	**(20,177)**
Net Book Value:					
At 31 March 2016	**22,905**	**7,034**	**58**	**717**	**30,714**
At 31 March 2015	**21,877**	**7,767**	**-**	**443**	**30,087**

Movements and closing balances in 2016/17 Group / PCC	Land and Buildings £000	Vehicles, Plant, Furniture and £000	Assets Held for Sale £000	Assets Under Construction £000	Total Property, Plant and £000
Cost or Valuation					
At 1 April 2016	22,937	27,178	58	717	50,891
Additions	1,592	1,051	-	2,463	5,107
Revaluation Increases/ (decreases) recognised in the Revaluation Reserve	1,730	-	-	-	1,730
Revaluation Increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(2,695)	-	-	-	(2,695)
Derecognition - Disposals	(166)	(1,054)	-	-	(1,220)
Derecognition - Leased assets		(290)	-	-	(290)
Assets reclassified to/from Assets Under Construction	220	559	-	(778)	-
Asset additions leased		290	-	-	290
At 31 March 2017	**23,619**	**27,734**	**58**	**2,403**	**53,813**
Depreciation and Impairment					
At 1 April 2016	(32)	(20,145)	-	-	(20,177)
Depreciation written out through the revaluation reserve	536		-	-	536
Derecognition - Disposals		896	-	-	896
Revaluation increases/(decreases) recognised in CIES	30		-	-	30
Depreciation charge in year	(551)	(2,915)	-	-	(3,465)
At 31 March 2017	**(17)**	**(22,163)**	**-**	**-**	**(22,180)**
Net Book Value:					
At 31 March 2017	**23,602**	**5,571**	**58**	**2,403**	**31,632**
At 31 March 2016	**22,905**	**7,034**	**58**	**717**	**30,714**

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16. Valuation of Non-Current Assets

Non-current assets have been revalued on the basis described in Note 1 and in accordance with the principles of the Accounting Code of Practice. Property, plant and equipment and investment properties were valued as at the 01 April 2016 by Mr J Bailey BSc (Hons) FRICS of the independent firm of Chartered Surveyors Bruton Knowles.

Investment Properties were also valued by Bruton Knowles as described above who are independent of the PCC.

A desktop valuation was carried out by Bruton Knowles as at 31 March 2017.

17. Investment Properties

The following items of income and expenditure have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

Group / PCC	**2015/16 £000**	**2016/17 £000**
Rental income from Investment Property	(140)	(120)
Direct Operating Expenses arising from Investment Property	7	25
Net (Gain) / Loss	**(133)**	**(95)**

There are no restrictions on the PCC's ability to realise the value inherent in its investment property or on the PCC's right to the remittance of income and the proceeds of disposal. The PCC has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year:

Group / PCC	**2015/16 £000**	**2016/17 £000**
Balance at Start of the Year	970	1,025
Net Gains / (Losses) from Fair Value Adjustments	55	154
Balance at End of the Year	**1,025**	**1,179**

The PCC's investment properties have been assessed as being level 2 on the fair value hierarchy. Fair values are explained in the accounting policies in section 1.35.

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18. Intangible Assets

The movement on Intangible Asset balances during the year is as follows:

Group / PCC	2015/16 £000	2016/17 £000
Balance at start of year:		
Gross Carrying Amounts	4,375	4,499
Accumulated Amortisation	(630)	(1,251)
Net Carrying Amount at Start of Year	**3,745**	**3,249**
Amortisation for the Period	(621)	(579)
Additions:		
Purchases	124	1,251
Additions Leased	121	1,173
Reclassified to Finance Leases:		
Disposals	(121)	(1,173)
Net carrying amount at end of year	**3,249**	**3,920**
Comprising:		
Gross Carrying Amounts	4,499	5,750
Accumulated Amortisation	(1,251)	(1,830)
	3,249	**3,920**

The PCC has no internally generated assets. All other assets have finite useful lives and amortised in line with the PCC's accounting policies detailed in note 1.

19. Major Non-Current Assets

Analysis of the numbers of major non-current assets:

Group / PCC	2015/16 (Numbers)	2016/17 (Numbers)
Force Headquarters	1	1
Police Stations	38	38
Sexual Assault Referral Centre	1	1
Major Aerial sites	3	3
Vehicles	424	438
Police Dog Training Establishment	1	1

Note – this excludes the share of regional buildings as these are not held on the PCC Fixed Asset Register.

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20. Capital Expenditure

Capital expenditure during the year:

Group / PCC	£000
Property, Plant and Equipment	
Vehicles	560
Building Schemes - General	1,185
Memorial Garden (Funded by Bequest)	60
Phase 2 Window Replacement	305
Phase 3 Window Replacement (Asset under construction)	422
Roof Replacement and Solar Panels	453
Bluelight - Headquarters (Asset under construction)	1,309
Speed Cameras	198
Mobile Data Wi Fi Hotspots	35
EMOpSS Mobile Data	37
Emergency Services Mobile Communication Platform	74
Hi Tech Crime Unit	159
Internet Child Abuse Team	34
Regional	262
Policing Model	14
Total Property, Plant and Equipment	**5,107**
Intangibles	
Regional ICT Non-crime Platform	1,158
Regional	78
Child Abuse Image Database (CAID)	15
Total Intangibles	**1,251**
Total Capital Expenditure Additions	**6,357**

21. Capital Commitments

There is a £239k commitment to building projects which commenced during 2016/17 and will be finalised during 2017/18. Approximately £400k of Vehicles were ordered for delivery prior to the yearend, but delivery was significantly delayed with these now expected to be received during April and May. £134k has also been committed to implementing a book-on book-off facility.

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22. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is financed in future years by charges to revenue, the expenditure results in an increase in Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the PCC that has yet to be financed. The CFR is analysed in the second part of this note.

Group / PCC	2015/16 £000	2016/17 £000
Opening Capital Financing requirement	31,323	28,963
Prior Year Opening Balance Adjustment	(1,720)	
Revised Opening Balance	**29,603**	**28,963**
Capital Investment		
Land and Buildings	1,010	1,592
Plant and Equipment	1,806	1,051
Assets Under Construction	880	2,463
Intangible Assets	124	1,251
G4S Leased Assets	1,055	1,463
Assets Held for Sale	58	-
Revenue Expenditure Funded from Capital Under Statute	-	606
Sources of Finance		
Capital Receipts	-	-
Government Grants and other Contributions	(1,632)	(4,403)
Direct Revenue Financing	-	(508)
Minimum Revenue Provision	(1,927)	(1,686)
Revenue Provision	(2,014)	(1,531)
Closing Capital Financing Requirement	**28,963**	**29,261**
Explanation of Movements in Year		
Assets acquired under finance leases	1,055	1,463
Increase / (decrease) in underlying need to borrow	(3,415)	(1,165)
Increase/(decrease) in Capital Financing Requirement	**(2,360)**	**298**

23. Minimum Revenue Provision (MRP)

The PCC is required to adopt a prudent approach to the repayment of long term borrowing. Various methods are authorised for the calculation of the Minimum Revenue Provision. The PCC provides and reviews an annual policy update outlining the MRP calculation.

For capital expenditure prior to 1 April 2008 the PCC Group applies an MRP equal to 4% of balance. For capital borrowing on or after 1 April 2008 the Group applies option 2 of Local Authority Capital Regulations, calculating MRP over the life of the assets purchased.

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24. Leases

PCC as Lessee - Finance Leases

The PCC Group has a Police dog training establishment with kennels and a radio mast under a 99-year finance lease. The asset acquired under this lease is carried as Property, Plant and Equipment in the Balance Sheet, and as Land & Buildings in the table below. There is no corresponding liability to recognise as the PCC paid the full costs of constructing the premises at the inception of the lease. If demanded the annual rent is one peppercorn per annum, so there are no minimum lease payments to disclose.

Net Carrying Amount - Group / PCC	**2015/16 £000**	**2016/17 £000**
Land and Buildings	185	193
Vehicles, Plant, Furniture and Equipment	7,231	6,873
	7,416	**7,066**

Minimum Lease Payments - Group / PCC	**2015/16 £000**	**2016/17 £000**
Not later than one year	1,236	1,479
Later than one year and not later than five years	4,942	5,918
Later than five years	1,236	-
	7,413	**7,397**

As part of the strategic partnership with G4S, ICT and furniture assets were transferred to G4S in 2012/13. Additional assets have since been added and are now valued at £7,066k. Under IFRIC 4 there is a finance lease for these assets. The associated minimum lease payments are shown above. There are no contingent rents or sublease payments.

The assets are carried in the PCC Group asset register and are subject to depreciation.

PCC as Lessee - Operating Leases

The PCC has acquired a number of assets by entering into operating leases, typically on a short-term basis. The future minimum lease payments due under non-cancellable leases in future years are:

Group / PCC	**2015/16 £000**	**2016/17 £000**
Not later than one year	27	27
Later than one year and not later than five years	100	74
Later than five years	-	-
	127	**101**

The expenditure charged against the cost of services section of the Comprehensive Income and Expenditure Statement during the year in relation to leases was:

Group / PCC	**2015/16 £000**	**2016/17 £000**
Minimum lease payments	51	48
	51	**48**

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The PCC Group has additional licenses to occupy premises on a peppercorn rent basis, which are cancellable by either party at between 1 and 3 months' notice. These premises are typically utilised by Neighbourhood Police Teams. No payments are made for these licenses and as such no value is recorded in the tables above in relation to them.

PCC as Lessor

Operating Leases

The PCC leases out office accommodation and space on radio masts under operating leases for the following purposes:

- Office accommodation for the provision of probation services;
- Office accommodation for the provision of UK immigration services;
- Space on radio masts for telecommunication services.

The future minimum lease payments receivable under non-cancellable leases in future years are:

Group / PCC	2015/16 £000	2016/17 £000
Not later than one year	123	143
Later than one year and not later than five years	367	311
Later than five years	170	107
	660	**562**

25. Inventories

Group / PCC	Uniform and Equipment		Diesel		Fleet Maintenance		Other		Total	
	2015/16 £000	2016/17 £000	2015/16 £000	2016/17 £000	2015/16 £000	2016/17 £000	2015/16 £000	2016/17 £000	2015/16 £000	2016/17 £000
Balance at Start of Year	**372**	**323**	**52**	**52**	**27**	**33**	**1**	**1**	**452**	**408**
Purchases	236	212	619	628	114	108	2	6	971	954
Recognised as an Expense in the year	(285)	(238)	(622)	(615)	(107)	(109)	(3)	(6)	(1,017)	(968)
Written off Balances	-	(6)	3	(2)	(1)	-	-	-	2	(8)
Balance at End of Year	**323**	**291**	**52**	**62**	**33**	**32**	**1**	**1**	**408**	**386**

26. Debtors

Group PCC	2015/16 £000	2016/17 £000
Amounts falling due within one year:		
Central Government Bodies	6,806	11,525
Other Local Authorities	8,351	6,141
Other Entities and Individuals	3,799	3,402
Total Debtors falling due within one year	**18,956**	**21,068**

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27. Cash and Cash Equivalents

Group / PCC	2015/16 £000	2016/17 £000
Cash Held by the PCC	24	22
Bank Current Accounts	882	620
Insurance Imprest Account	38	8
Confiscated Account	(25)	(329)
Short-term Deposits	3,700	6,050
Total Cash and Cash Equivalents	**4,618**	**6,370**

28. Creditors

Other entities and individuals include supplies and services, pay accruals, receipts in advance, other creditors and employee benefits. Employee benefits are the theoretical value of annual leave/time owed to staff at the Balance Sheet date.

Group	2015/16 £000	2016/17 £000
Central Government Bodies	(1,496)	(2,179)
Other Local Authorities	(8,598)	(8,410)
Other Entities and Individuals	(6,693)	(7,405)
Total Short-Term Creditors	**(16,787)**	**(17,994)**

PCC	2015/16 £000	2016/17 £000
Central Government Bodies	(1,496)	(2,179)
Other Local Authorities	(8,598)	(8,410)
Other Entities and Individuals	(5,286)	(5,928)
Inter Group	(1,406)	(1,478)
Total Short-Term Creditors	**(16,787)**	**(17,994)**

29. Revenue Provisions

The Group has made provisions to meet the costs of the liabilities described below. They are classified as provisions because there is a present obligation to transfer economic benefit as a result of a past event, payment is probable and the amount can be reliably estimated.

All provisions are expected to be used in 2017/18.

Short Term Provisions - Group	Legal Services £000	Ill Health Retirements £000	Termination Benefits of Employment £000	Injury Award £000	GMP Stage 2 Reconciliation £000	Major Incidents £000	Forensics £000	Total £000
Balance at 31 March 2016	**(395)**	**(139)**	**(16)**	**(130)**	**-**	**-**	**-**	**(681)**
Additional Provisions Made In 2016/17	(26)		-	-	(17)	(150)	(55)	(248)
Amounts Used In 2016/17	-	139		130				269
Unused amounts reversed in 2016/17	-	-	-	-		-	-	-
Balance at 31 March 2017	**(421)**	**0**	**(16)**	**-**	**(17)**	**(150)**	**(55)**	**(660)**

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Short Term Provisions - PCC	Legal Services £000	Ill Health Retirements £000	Injury Award £000	GMP Stage 2 Reconciliation £000	Major Incidents £000	Forensics £000	Total £000
Balance at 31 March 2016	**(395)**	**(139)**	**(130)**	**-**	**-**	**-**	**(664)**
Additional Provisions Made In 2016/17	(26)			(17)	(150)	(55)	(248)
Amounts Used In 2016/17	-	139	130				269
Unused amounts reversed in 2016/17	-	-			-	-	-
Balance at 31 March 2017	**(421)**	**-**	**-**	**(17)**	**(150)**	**(55)**	**(644)**

All provisions are held in the PCC except for the termination benefits of employment relating to the pension payments which are held by the Chief Constable along with the IAS19 Pension Liability.

Long Term Provisions Group	Termination Benefits of Employment £000	Total £000
Balance at 31 March 2016	**(136)**	**(136)**
Additional Provisions Made In 2016/17	-	-
Amounts Used In 2016/17		-
Unused amounts reversed in 2016/17	-	-
Balance at 31 March 2017	**(136)**	**(136)**

30. Usable Reserves

Movements in the PCC's Usable Reserves are detailed in the Movement in Reserves Statements. The PCC keeps a number of reserves in the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice, and others have been set up voluntarily to earmark resources for future spending plans.

Usable Reserves - Group	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Earmarked Reserves (PCC) £000	Earmarked Reserves (Region) £000	Earmarked Reserves Total £000	General Fund Balance £000	General Fund Balance (Region) £000	General Reserve Total £000	Total Usable Reserves £000
Balance as at 31 March 2016	**133**	**364**	**12,273**	**542**	**12,815**	**5,629**	**28**	**5,657**	**18,969**
Movements during the year									
Surplus / (Deficit) on the provision of services	-	-	-	-	-	(28,646)	(83)	(28,730)	(28,730)
Adjustments between accounting basis and funding basis under regulations	65	304	-	-	-	28,992	-	28,992	29,361
Income and Expenditure contribution	-	-	4,334	-	4,334	(4,334)	-	(4,334)	-
Used in the year	-	-	(3,988)	(82)	(4,070)	3,988	82	4,070	-
Total reserve movements 2016/17	**65**	**304**	**346**	**(82)**	**264**	**-**	**(1)**	**(1)**	**632**
Balance as at 31 March 2017	**198**	**668**	**12,619**	**460**	**13,079**	**5,629**	**26**	**5,656**	**19,600**

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Usable Reserves - PCC	Capital Receipts Reserve	Capital Grants Unapplied	Earmarked Reserves (PCC)	Earmarked Reserves (Region)	Earmarked Reserves Total	General Fund Balance	General Fund Balance (Region)	General Reserve Total	Total Usable Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance as at 31 March 2016	**133**	**364**	**12,273**	**542**	**12,815**	**5,629**	**28**	**5,657**	**18,969**
Movements during the year									
Surplus / (Deficit) on the provision of services	-	-	-	-	-	(631)	(83)	(714)	(714)
Adjustments between accounting basis and funding basis under regulations	65	304	-	-	-	977	-	977	1,346
Income and Expenditure contribution	-	-	4,334	-	4,334	(4,334)	-	(4,334)	-
Used in the year			(3,988)	(82)	(4,070)	3,988	82	4,070	-
Total reserve movements 2016/17	**65**	**304**	**346**	**(82)**	**264**	**-**	**(1)**	**(1)**	**632**
Balance as at 31 March 2017	**198**	**668**	**12,619**	**460**	**13,079**	**5,629**	**26**	**5,656**	**19,600**

31. Unusable Reserves

Unusable Reserves - Group	2015/16 £000	2016/17 £000
Revaluation Reserve	2,238	4,443
Capital Adjustment Account	3,788	3,029
Pensions Reserve	(1,143,781)	(1,332,291)
Collection Fund Adjustment Account	1,015	565
Accumulated Absences Account	(1,406)	(1,478)
Total Unusable Reserves	**(1,138,147)**	**(1,325,732)**

Unusable Reserves - PCC	2015/16 £000	2016/17 £000
Revaluation Reserve	2,238	4,443
Capital Adjustment Account	3,788	3,029
Pensions Reserve	(1,713)	(2,073)
Collection Fund Adjustment Account	1,015	565
Accumulated Absences Account	(1,406)	(1,478)
Total Unusable Reserves	**3,922**	**4,486**

32. Revaluation Reserve

The Revaluation Reserve records the accumulated gains on the long-term assets held by the PCC arising from increases in value. The Reserve is also debited with amounts equal to the part of depreciation charges on assets that have been incurred only because the asset has been re-valued. The balance is reduced when assets with accumulated gains are:

- Re-valued downwards or impaired and the gains are lost;
- Used in the provision of services and the gains are consumed through depreciation; or
- Disposed of and the gains are realised.

The reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

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2015/16 £000		2016/17 £000
1,574	**Balance at 1 April**	**2,238**
957	Upward revaluation of Property, Plant and Equipment	3,206
(219)	Downward revaluation of Property Plant and Equipment, and impairment losses not charged to the Surplus or Deficit on the Provision of Services	(940)
-	Downward revaluation of Assets Held for Sale and impairment losses not charged to the Surplus or Deficit on the Provision of Services	-
-	Upward valuation of Assets Held for Sale	-
-	Upward revaluation of Investment Properties	-
738	**Surplus / (Deficit) on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services**	**2,266**
(30)	Difference between fair value depreciation and historical cost depreciation and adjustment on revaluation reserve	(62)
(33)	Historical revaluation written out of revaluation reserve	-
(11)	Accumulated gains on assets sold or scrapped	-
(74)	**Amount written off to the Capital Adjustment Account**	**(62)**
2,238	**Balance at 31 March**	**4,443**

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33. Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation; impairment losses and amortisation are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the PCC Group as finance for the costs of acquisition, construction and enhancement.

2015/16 £000	Group / PCC	2016/17 Movement £000	2016/17 £000
3,379	**Balance at 1 April**		**3,788**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(3,212)	Charges for depreciation and impairment on non-current assets	(3,466)	-
(543)	Revaluation losses on Property, Plant and Equipment	(2,664)	-
(621)	Amortisation of intangible assets	(579)	-
-	Revenue expenditure funded from capital under statute	(606)	-
(1,228)	Amounts of non-current assets written off on disposal or sale as part of the gain/(loss) on disposal to the Comprehensive Income and Expenditure Statement	(1,787)	-
-	Other movements debited/credited through CAA	60	-
(5,605)			**(9,043)**
72	Amounts written out of the Revaluation Reserve	62	
(5,532)	**Net written out amount of the cost of non-current assets consumed in the year**		**(8,982)**
	Capital financing applied in the year:		
-	Use of Capital Receipts Reserve to finance new capital expenditure	-	-
	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing:		
1,041	Capital expenditure charged against the general fund	448	-
1,632	Application of capital grants and contributions to capital financing transferred to the CAA	4,403	-
2,673			**4,851**
55	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	154	
55			**154**
	Items not debited or credited to the Comprehensive Income and Expenditure Statement:		
3,214	Revenue provision for the repayment of debt	3,217	-
3,214			**3,217**
3,788	**Balance at 31 March**	**(759)**	**3,029**

The Account contains accumulated gains and losses on Investment Properties. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date the Revaluation Reserve was created to hold such gains. Note 9 provide details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

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34. Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The PCC Group, accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require a benefit earned to be financed, as the PCC Group makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve shows a substantial shortfall in the benefits earned by past and current employees and the resources the Group has set aside to meet them. The statutory arrangements will have been set aside by the time the benefits come to be paid.

2015/16 PCC £000	2015/16 Group £000	Group	2016/17 PCC £000	2016/17 Group £000
(2,247)	**(1,317,247)**	**Balance at 1 April**	**(1,713)**	**(1,143,781)**
656	202,105	Actuarial gains or losses on pensions assets and liabilities	(356)	(160,490)
(277)	(70,337)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(221)	(65,120)
155	41,684	Employer's pensions contributions and direct payments to pensioners payable in the year	216	37,100
	14	Other unfunded termination benefits		
(1,713)	**(1,143,781)**	**Balance at 31 March**	**(2,073)**	**(1,332,291)**

35. Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2015/16 £000		2016/17 £000
718	**Balance at 1 April**	**1,015**
297	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(450)
1,015	**Balance at 31 March**	**565**
	Represented by:	
2,610	Council tax arrears	2,751
(875)	Impairment for doubtful debts	(854)
(1,071)	Council tax overpayments and prepayments	(1,083)
351	Creditors, billing authorities	(249)
1,015	**Collection fund surplus / (deficit)**	**565**

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36. Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2015/16 £000		2016/17 £000
(1,801)	**Balance at 1 April**	**(1,406)**
1,801	Settlement or cancellation of accrual made at the end of the preceding year	1,406
(1,406)	Amounts accrued at the end of the current year	**(1,478)**
395	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	**(71)**
(1,406)	**Balance at 31 March**	**(1,478)**

37. Cash Flow – Adjustments on Provision of Services for Non Cash Movements

2015/16 £000		Cash Flow - Non Cash Movements	2016/17 £000	
PCC	**Group**		**PCC**	**Group**
(3,201)	(3,201)	Depreciation of Non-Current Assets	(3,465)	(3,465)
(543)	(543)	Impairment and Downward Valuations of Non-Current Assets	(2,665)	(2,665)
(621)	(621)	Amortisation of Intangible Assets	(579)	(579)
620	620	Amortisation of Government Grant and Other Contributions	69	69
8	8	(Increase)/Decrease in Impairment Provisions for Bad Debts	11	11
(8,470)	(8,470)	(Increase)/Decrease in Creditors	(3,038)	(3,038)
5,040	5,040	Increase/(Decrease) in Debtors	2,101	2,101
(44)	(44)	Increase/(Decrease) in Inventories	(22)	(22)
(122)	(28,652)	Pension Liability	(5)	(28,021)
(1,220)	(1,220)	Carrying Amount of Non-Current Assets Sold and Assets Held for Sale	(1,787)	(1,787)
273	286	Contributions to Provisions	21	21
55	55	Other Non-Cash Items Charged to the Net Deficit on the Provision of Services	154	154
(8,225)	**(36,742)**	**Non Cash Movements**	**(9,205)**	**(37,221)**

38. Cash Flow – Adjustment on Provision of Services for Investing and Financing Activities

2015/16 £000	Group / PCC	2016/17 £000
118	Proceeds from the Sale of Property, Plant and Equipment, Investment Property	69
118		**69**

39. Cash Flow – Operating Activities

2015/16 £000	Group / PCC	2016/17 £000
(62)	Interest received	(41)
626	Interest paid	566

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40. Cash Flow Statement – Investment Activities

2015/16 £000	Group / PCC	2016/17 £000
4,184	Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	8,190
18,000	Purchase of Short-Term and Long-Term Investments	4,000
(118)	Proceeds from the Sale of Property, Plant and Equipment, Investment Property and Intangible Assets	(69)
(14,000)	Proceeds from Short-Term and Long-Term Investments	(8,000)
8,066	**Net Cash Flows from Investing Activities**	**4,121**

41. Cash Flow Statement – Financing Activities

2015/16 £000	Group / PCC	2016/17 £000
1,226	Cash Payments for the Reduction of the Outstanding Liability Relating to a Finance Lease	1,479
1,322	Repayments of Short and Long-Term Borrowing	1,070
2,548	**Net Cash Flow from Financing Activities**	**2,549**

42. Police Property Act Fund

2015/16 £000	Group / PCC	2016/17 £000
(12)	Balance as at 1st April	(4)
(9)	Income	(30)
17	Expenditure	20
(4)	**Balance as at 31 March**	**(14)**
(4)	**Cash balance held by Lincolnshire Police as at 31 March**	**(14)**

Police and Crime Commissioners are required under the Police Property Act 1997 to set aside any money received from the sale of property in connection with found or seized property. The net proceeds from this fund are either repaid to the individual; used to defray expenses incurred in the storage and safe custody of property; or distributed to local charities as directed by the Chief Constable.

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43. Joint Operations

Sexual Assault Referral Centre

The SARC is a one stop location where victims of sexual assault can receive medical care and counselling whilst at the same time having the opportunity to assist the police investigation into alleged offences. It is a joint operation between Lincolnshire Police and Lincolnshire Partnership NHS Foundation Trust, with Lincolnshire Police acting as the lead body. The financial statements include the PCC Group's share of non-current assets, primarily the purchase and refurbishment costs associated with Spring Lodge (PCC Lincolnshire share is 65%). The financial statements also include the PCC's share of Income £9k and revenue expenditure £91k (PCC Lincolnshire is 50%).

Regional Collaboration

The East Midland Regional Collaboration consists of:

- East Midlands Special Operations Unit (EMSOU) – including Regional Asset Recovery Team, Regional Review Unit and Protected Persons Unit - Lead body Leicestershire;
- East Midlands Collaboration Team – Lead body Leicestershire;
- EMSOU Major Crime – Lead body Leicestershire;
- EMSOU Technical Support Unit (TSU)- Lead Body Derbyshire;
- Forensics – Lead body Derbyshire;
- Occupational Health Unit (OHU)– Lead body Leicestershire;
- East Midlands Operational Support Services (EMOPSS) including Armed Policing Training and Serious Collision Investigation Unit – Lead body Lincolnshire;
- East Midlands Regional Information and Co-ordination Centre (EMRICC) – Lead body Leicestershire;
- East Midlands Criminal Justice – Lead body Leicestershire – Finance Lincolnshire;
- East Midlands Legal Services – Lead body Derbyshire.

As all assets, liabilities and reserves are held by the PCC; only the operational policing costs have been shown in the Chief Constable's Comprehensive Income & Expenditure Statement. The PCC's share of assets and liabilities is included in the PCC Group accounts. The transactions relating to Lincolnshire's share of a five Force collaboration is set at 12.9%, in the case of 4 Force collaborations such as EMOpSS, Lincolnshire's share is 16.5% of revenue expenditure. These allocations from regional forces have been included in the Comprehensive Income and Expenditure Statement.

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Lincolnshire share of Regional Balance Sheet as at 31 March 2017

2015/16 £000		2016/17 £000
959	Property, Plant & Equipment	1,109
7	Intangible Assets	67
58	Assets Held For Sale	58
20	Asset Under Construction	-
1,043	**Long Term Assets**	**1,234**
4	Payments In Advance	-
649	Cash and Cash Equivalents	472
100	Short-Term Debtors	248
753	**Current Assets**	**720**
(176)	Short-Term Creditors	(231)
(10)	Receipts In Advance	(5)
(66)	Employee Benefits	(64)
(251)	**Current Liabilities**	**(299)**
1,546	**Net Assets**	**1,655**
28	General Fund Balance	26
542	Earmarked Reserves	460
569	**Usable Reserves**	**486**
1,042	Capital Adjustment Account	1,233
(66)	Accumulated Absences Account	(64)
977	**Unusable Reserves**	**1,169**
1,546	**Total Reserves**	**1,655**

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Lincolnshire share of Regional Comprehensive Income and Expenditure Statement

2015/16 £000		2016/17 £000
1,261	Police Pay and Allowances	1,059
1,662	Police Staff Pay and Allowances	1,977
73	Other Employee Expenses	278
40	Premises	36
368	Transport	394
547	Supplies and Services	564
16	Agency and Contracted Services	42
68	Depreciation	150
1	Amortisation	-
76	Capital Financing	2
4,113	**Gross Operating Expenditure**	**4,502**
(142)	Other Income	(104)
19	(Gains) or Losses on Revaluation of Non-Current Assets Held for Sale	13
3,991	**Amount to be met from Partners**	**4,411**
	Financed by:	
(3,595)	Contributions from Partners	(3,775)
(400)	External Grants	(574)
(47)	Capital Grants and Contributions	(171)
(52)	**Deficit on the Provision of Services**	**(109)**
(52)	**Total Comprehensive Income and Expenditure**	**(109)**

44. Funded Partnerships Outside Scope of Collaborative Arrangements

Lincolnshire Road Safety Partnership

Lincolnshire Road Safety Partnership (LRSP) was formed in order to reduce the number of people killed or injured on Lincolnshire's roads. LRSP is a unique multi-agency partnership that brings together road safety professionals from the Police, Lincolnshire County Council, Fire & Rescue, the NHS, the Highways Agency and the Probation Service. Roads Policing Officers provide their time as an integral part of the Partnership. Income in the year was £956k and expenditure £718k

45. Audit Committee Allowances and Expenses

The amount paid to members of the Joint Independent Audit Committee equated to £8,444 for the year compared to £5,045 in 2015/16. £2,186 is charged to the PCC based on the % split used for allocating joint services costs.

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46. Remuneration of Senior Officers

Remuneration includes all sums paid to or receivable by an employee. Pension contributions payable by the employer are excluded.

The Accounting Code of Practice requires detailed disclosure for specific senior officers. These are disclosed in the tables below.

2015/16 Senior Officers' Remuneration	Notes	Salaries, fees or allowances	Performance related pay	Compensation for loss of office	Other benefits receivable in the role	**Total remuneration excluding pension contributions 2015/16**	Employer's pension contribution	**Total remuneration including pension contributions 2015/16**
		£	£	£	£	**£**	£	**£**
Police and Crime Commissioner		65,000	-	-	-	**65,000**	12,935	**77,935**
Office of the Police and Crime Commissioner								
Chief Executive		98,257	-	-	1,239	**99,496**	19,553	**119,049**
Chief Finance Officer		72,385	-	-	1,239	**73,624**	14,405	**88,029**
Police officers								
Chief Constable		146,986	-	-	3,244	**150,230**	33,756	**183,986**
Deputy Chief Constable		116,867	-	-	6,413	**123,280**	25,401	**148,681**
Assistant Chief Constable		111,799	-	-	8,496	**120,295**	-	**120,295**
Police Staff of the Chief Constable								
Assistant Chief Officer (Resources)		99,303	-	-	7,201	**106,504**	19,761	**126,265**
Chief Finance Officer		54,826	-	-	-	**54,826**	10,910	**65,737**

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2016/17 Senior Officers' Remuneration	Notes	Salaries, fees or allowances £	Performance related pay £	Compensation for loss of office £	Other benefits receivable in the role £	**Total remuneration excluding pension contributions 2016/17 £**	Employer's pension contribution £	**Total remuneration including pension contributions 2016/17 £**
Police and Crime Commissioner	Term End: 11/05/16	7,339	-	-	-	**7,339**	1,460	**8,799**
Police and Crime Commissioner	Term Start: 12/05/16	57,661	-	-	-	**57,661**	11,475	**69,136**
Office of the Police and Crime Commissioner								
Chief Executive		98,654	-	-	1,239	**99,893**	19,632	**119,525**
Chief Finance Officer		72,677	-	-	1,239	**73,916**	14,463	**88,379**
Police officers								
Chief Constable	Retired 31/01/17	127,087	-	-	3,244	**130,331**	3,240	**133,571**
Chief Constable	From: 01/02/17	25,337	-	-	-	**25,337**	6,004	**31,341**
Deputy Chief Constable	Retired 30/04/16	12,656	-	-	3,774	**16,430**	2,262	**18,692**
Deputy Chief Constable	From: 14/03/16	122,190	-	-	9,911	**132,101**	28,618	**160,719**
Assistant Chief Constable	Resigned 05/02/17	99,314	-	-	4,841	**104,155**	-	**104,155**
Temporary Assistant Chief Constable	From: 21/03/16	100,763	-	-	8,792	**109,555**	23,701	**133,256**
Police Staff of the Chief Constable								
Assistant Chief Officer (Resources)		103,422	-	-	8,849	**112,271**	20,581	**132,852**
Chief Finance Officer 1	Retired 31/10/16	32,074	-	-	-	**32,074**	6,383	**38,457**
Chief Finance Officer 2	Temp Cover 01/10/16 - 09/01/17	16,516	-	-	-	**16,516**	3,287	**19,803**
Chief Finance Officer 3	From: 10/01/17	14,531	-	-	-	**14,531**	2,892	**17,423**

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The tables below highlights the employees within defined remuneration ranges. This excludes the senior employees who are shown in more detail in the tables above.

PCC & Group Remuneration Range	2015/16 Number of employees	2016/17 Number of employees
£50,000 to £54,999	-	-
£55,000 to £59,999	2	1
£60,000 to £64,999	2	2
£65,000 to £69,999	1	4
£70,000 to £74,999	1	1
£75,000 to £79,999	-	-
£80,000 to £84,999	1	-
£85,000 to £89,999	1	-
£90,000 to £94,999	-	-
£95,000 to £99,999	-	-
£100,000 to £104,999	-	-
£105,000 to £109,999	-	-

47. Termination Benefits

In 2016/17 three employee contracts were terminated.

Group Cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number by cost band		Total cost in each band	
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16 £000	2016/17 £000
£0,000 to £20,000	4	2	1		5	2	35	23
£20,001 to £40,000	3	1			3	1	103	21
£40,001 to £60,000								
£60,001 to £80,000								
£80,001 to £100,000								
£100,000 to £150,000								
Total	**7**	**3**	**1**	**-**	**8**	**3**	**138**	**44**

PCC Cost band (including special payments)	Number of compulsory		Number of other departures agreed		Total number by cost band		Total cost in each band	
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16 £000	2016/17 £000
£0,000 to £20,000		1				1		7
£20,001 to £40,000		1				1		21
£40,001 to £60,000								
£60,001 to £80,000								
£80,001 to £100,000								
£100,000 to £150,000								
Total	**-**	**2**	**-**	**-**	**-**	**2**	**-**	**28**

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48. Audit Costs

Group / PCC	2015/16 £000	2016/17 £000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	44	44
Total	**44**	**44**

PCC	2015/16 £000	2016/17 £000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	29	29
Total	**29**	**29**

49. Grant Income

The PCC Group credited the following grants to the Comprehensive Income and Expenditure Statement.

Group / PCC	2015/16 £000	2016/17 £000
Credited to Taxation and Non Specific Grant Income		
Central Government:		
Police Grant	(59,065)	(58,728)
Home Office Pension Grant	(23,490)	(22,008)
Capital Grants and Contributions	(1,442)	(4,536)
Council Tax Freeze Grant	(1,059)	(1,059)
Council Tax Support Grant	(5,775)	(5,775)
Regional Grant income	-	(171)
Total	**(90,831)**	**(92,277)**

Group	2015/16 £000	2016/17 £000
Credited to Services		
Central Government:		
Proceeds of Crime Act	(100)	(103)
Innovation Grants	(4,214)	-
Live Links Grant	-	(118)
Innovation Blue Light Integration	-	(400)
Regional ICT non-crime Platform Income	-	(1,569)
Other Home Office Grants	(803)	(865)
Other Bodies:		
LCC Neighbourhood Policing	(1,200)	-
Total	**(6,316)**	**(3,054)**

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PCC	2015/16 £000	2016/17 £000
Credited to Services		
Central Government:		
Other Home Office Grants	(803)	(865)
Total	**(803)**	**(865)**

Group / PCC	2015/16 £000	2016/17 £000
Capital Grants Receipts in Advance <1 year		
Mobile Data	(50)	(50)
Lincolnshire Road Safety Partnership	(70)	-
Total	**(120)**	**(50)**

Where the Group has received grants with conditions attached that it has not met at year-end, these are not be recognised in the income.

50. Related Party Transactions

The entity is required to disclose details of any material transactions with related parties - bodies or individuals that have the potential to control or influence the Force or, to be controlled or influenced by the Force. Disclosure of these transactions allows readers to assess the extent to which the entity might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with it.

UK Central Government

The UK central government has effective control over the general operations of the PCC. It is responsible for establishing the statutory framework within which the PCC operates. It provides a large proportion of the PCC's funding in the form of grants and prescribes the terms of many of the transactions that the PCC has with other parties.

Chief Constable for Lincolnshire

Within the Group, the Chief Constable is accountable to the Police & Crime Commissioner for Lincolnshire. The PCC provides all funding to the Chief Constable for the discharge of his duties. The total funding is shown in the PCC's Comprehensive Income & Expenditure Statement.

Officers

The total remuneration to senior staff in 2016/17 is shown in Note 46. All senior officers employed by the PCC Group at the 31 March 2017 have completed a Related Party Transaction Declaration for the financial year in respect to themselves and close family members to identify any business dealings with the Group that fall into this category. No further disclosures are required.

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Other Public Bodies

Group / PCC	Income 2016/17 £000	Expenditure 2016/17 £000
Boston Borough Council	(3,671)	70
City Of Lincoln Council	(4,809)	206
College Of Policing	(37)	74
East Lindsey District Council	(8,811)	118
Home Office		1,558
Lincolnshire County Council	(337)	505
Lincolnshire County Council Pension Fund		660
North Kesteven District Council	(7,275)	476
South Holland District Council	(5,494)	43
South Kesteven District Council	(9,295)	185
University Of Leicester		180
West Lindsey District Council	(5,981)	2
Other PCCs	(13,552)	19,298

Joint operations and Partnerships are disclosed in Notes 43 and 44.

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51. Retirement Benefits

51.1 Discretionary post-retirement benefits

As part of the terms and conditions of employment of its officers and other employees, the Group offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Group has a commitment to disclose the cost of future pension liabilities at the time that employees earn their future entitlement.

The Group participates in two pensions schemes:

The Local Government Pension Scheme is for police staff, and is administered by West Yorkshire Pension Fund on behalf of Lincolnshire County Council. On 1 April 2014 a new LGPS was created, whilst remaining a defined benefit scheme, the way that pensions are calculated changed with a new career average pension scheme being introduced. The new arrangements maintain all service prior to this date on a final salary basis with future benefits being based on pay (which now also includes non-contractual overtime) each scheme year rather than final salary. Transitional arrangements and protections for those approaching retirement age were also implemented. The effect of these new arrangements is included within the pension disclosures of these accounts. A funded defined benefit final salary scheme, means that the PCC and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. G4S joined Lincolnshire Pension Fund as a new Transferee Admission Body on 1 April 2012 on a "pass through" arrangement for a contract term of 10 years. The IAS19 results as at 31 March 2017 reflect the combined G4S and Lincolnshire Police pension fund assets and liabilities.

The Police Pension Scheme for police officers is an unfunded defined benefit final salary scheme. There are no investment assets built up to meet the pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due. Under the Police Pension Fund Regulations 2007, if the amounts receivable by the pensions fund for the year are less than amounts payable, the PCC must transfer an amount required to meet the deficit to the pension fund. Subject to parliamentary scrutiny and approval, this cost is met by a central government pension top up grant.

The principal risks to the authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (ie large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts required by statute as described in the accounting policies note.

51.2. Discretionary post-retirement benefits

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no scheme assets built up to meet these pension liabilities.

51.3. Transactions Relating to Retirement Benefits

In order to comply with IAS 19, employer's pension contributions have been replaced with current service costs as estimated by the independent actuary. The Group recognise the cost of retirement benefits in the Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the General Fund via the Movement in

Reserves Statement. The reversal of the IAS 19 transactions ensures that there is no effect on the amounts to be met from government grant and the local taxpayers.

51.4. Transactions Relating to Retirement Benefits

Local Government Pension Scheme	2015/16		2016/17	
	PCC £000	Group £000	PCC £000	Group £000
Comprehensive Income and Expenditure Statement				
Cost of Services:				
Current service cost	(203)	(5,085)	(161)	(4,032)
Past service costs	(1)	(35)	(1)	(14)
Effect of settlements	-	-	-	-
Financing and Investment Income and Expenditure:				
Net interest expense	(73)	(1,817)	(59)	(1,474)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**(277)**	**(6,937)**	**(221)**	**(5,520)**
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement				
Return on scheme assets (excluding the amount included in the net interest expense)	(83)	(2,085)	462	11,546
Actuarial gains and losses arising on changes in demographic assumptions	-	-	113	2,820
Actuarial gains and losses arising on changes in financial assumptions	678	16,951	(1,227)	(30,672)
Other experience	62	1,539	297	7,416
Subtotal Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**656**	**16,405**	**(356)**	**(8,890)**
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**379**	**9,468**	**(576)**	**(14,410)**
Movement in Reserves Statement				
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	277	6,937	221	5,520
Actual Amount charged against the General Fund Balance for pensions in the year:				
Employers contributions payable to scheme	(155)	(3,884)	(216)	(5,400)
Retirement benefits payable to pensioners	-	-	-	-
Movement from Comprehensive Income and Expenditure Statement to the General Fund	**122**	**3,053**	**5**	**120**

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Police Pension Scheme	2015/16	2016/17
	Group £000	Group £000
Comprehensive Income and Expenditure Statement		
Cost of Services:		
Current service cost	(22,600)	(21,200)
Past service costs	(500)	(100)
Effect of settlements	-	-
Financing and Investment Income and Expenditure:		
Net interest expense	(40,300)	(38,300)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**(63,400)**	**(59,600)**
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
Return on scheme assets (excluding the amount included in the net interest expense)	-	-
Actuarial gains and losses arising on changes in demographic assumptions	3,300	(7,300)
Actuarial gains and losses arising on changes in financial assumptions	182,400	(237,300)
Other experience	-	93,000
Subtotal Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**185,700**	**(151,600)**
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**122,300**	**(211,200)**
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	63,400	59,600
Actual Amount charged against the General Fund Balance for pensions in the year:	-	-
Employers contributions payable to scheme	(37,800)	(31,700)
Retirement benefits payable to pensioners	-	-
Movement from Comprehensive Income and Expenditure Statement to the General Fund	**25,600**	**27,900**

Total Pension Liability	2015/16		2016/17	
	PCC £000	Group £000	PCC £000	Group £000
Comprehensive Income and Expenditure Statement				
Cost of Services:				
Current service cost	(203)	(27,685)	(161)	(25,232)
Past service costs	(1)	(535)	(1)	(114)
Effect of settlements	-	-	-	-
Financing and Investment Income and Expenditure				
Net interest expense	(73)	(42,117)	(59)	(39,774)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**(277)**	**(70,337)**	**(221)**	**(65,120)**
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement				
Return on scheme assets (excluding the amount included in the net interest expense)	(83)	(2,085)	462	11,546
Actuarial gains and losses arising on changes in demographic assumptions	-	3,300	113	(4,480)
Actuarial gains and losses arising on changes in financial assumptions	678	199,351	(1,227)	(267,972)
Other experience	62	1,539	297	100,416
Subtotal Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**656**	**202,105**	**(356)**	**(160,490)**
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**379**	**131,768**	**(576)**	**(225,610)**
Movement in Reserves Statement				
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	277	70,337	221	65,120
Actual Amount charged against the General Fund Balance for pensions in the year:	-	-	-	-
Employers contributions payable to scheme	(155)	(41,684)	(216)	(37,100)
Retirement benefits payable to pensioners	-	-	-	-
Movement from Comprehensive Income and Expenditure Statement to the General Fund	**122**	**28,653**	**5**	**28,020**

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51.5. Pensions Assets and Liabilities in relation to Retirement Benefits

The amount included in the Balance Sheet arising from the PCC Group's obligation in respect of its defined benefit scheme is as follows:

LGPS	2015/16		2016/17	
	PCC £000	Group £000	PCC £000	Group £000
Present value of the defined benefit obligation	5,824	145,592	6,919	172,984
Fair value of scheme assets	(4,119)	(102,976)	(4,852)	(121,312)
Sub-total	**1,705**	**42,616**	**2,067**	**51,672**
Other movements in Unfunded Liability	8	212	7	166
Net liability arising from the defined benefit obligation	**1,713**	**42,828**	**2,074**	**51,838**

Discretionary Benefits	2015/16	2016/17
Police Pension Scheme	Group £000	Group £000
Present value of the defined benefit obligation	1,058,500	1,230,500
Fair value of scheme assets	-	-
Sub-total	**1,058,500**	**1,230,500**
Other movements in the liability (asset)	42,300	49,800
Net liability arising from the defined benefit obligation	**1,100,800**	**1,280,300**

51.6. Reconciliation of the movements in the fair value of the scheme assets

Local Government Pension Scheme	2015/16		2016/17	
	PCC £000	Group £000	PCC £000	Group £000
Opening fair value of scheme assets	3,989	99,719	4,119	102,976
Interest income	129	3,225	146	3,656
Remeasurement gain / (loss):				
The return on scheme assets, excluding the amount included in the net interest expense	(83)	(2,085)	462	11,546
Other	-	-	-	-
Effect of changes in foreign exchange rates	-	-	-	-
Contributions from employer	155	3,884	216	5,400
Contributions from employees in the scheme	45	1,122	42	1,053
Benefits paid	(116)	(2,889)	(133)	(3,319)
Other	-	-	-	-
31 March	**4,119**	**102,976**	**4,852**	**121,312**

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51.7. Reconciliation of present value of the scheme liabilities (defined benefit obligation)

LGPS Liabilities	2015/16		2016/17	
	PCC £000	Group £000	PCC £000	Group £000
Opening balance at 1 April	6,236	155,899	5,833	145,804
Current service cost	203	5,085	161	4,032
Interest cost	202	5,043	205	5,130
Contributions from scheme participants	45	1,122	42	1,053
Re-measurement (gain) / loss:				
Actuarial gains / losses arising from changes in demographic assumptions	-	-	(113)	(2,820)
Actuarial gains / losses arising from changes in financial assumptions	(678)	(17,180)	1,227	30,672
Other	(62)	(1,539)	(297)	(7,416)
Past service cost	1	35	1	14
Losses / (gains) on curtailment	-	-	-	-
Liabilities assumed on entity combinations	-	-	-	-
Benefits paid	(115)	(2,878)	(133)	(3,319)
Liabilities extinguished on settlements (w here relevant)	-	5	-	-
31 March	**5,823**	**145,592**	**6,927**	**173,150**

Unfunded liabilities Police Pension Scheme	2015/16 Group £000	2016/17 Group £000
Opening balance at 1 April	1,260,900	1,100,800
Current service cost	22,600	21,200
Interest cost	40,300	38,300
Contributions from scheme participants	5,900	5,100
Re-measurement (gain) / loss:		
Actuarial gains / losses arising from changes in demographic assumptions	(3,300)	7,300
Actuarial gains / losses arising from changes in financial assumptions	(119,300)	237,300
Other	(63,100)	(93,000)
Past service cost	500	100
Losses / (gains) on curtailment	-	-
Liabilities assumed on entity combinations	-	-
Benefits paid	(43,700)	(36,800)
Liabilities extinguished on settlements (w here relevant)	-	-
31 March	**1,100,800**	**1,280,300**

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51.8. Pension scheme assets

The police pension schemes have no assets to cover their liabilities.

The PCC Group's Local Government Pension Scheme assets consist of the following categories:

	2015/16		2016/17	
Fair value of scheme assets	**PCC £000**	**Group £000**	**PCC £000**	**Group £000**
Cash and cash equivalents	**44**	**1,112**	**34**	**859**
Equity instruments				
Consumer	853	21,334	546	13,639
Manufacturing	91	2,287	71	1,783
Energy and utilities	223	5,579	126	3,145
Financial institutions	444	11,109	335	8,378
Health and care	-	-	-	-
Information technology	153	3,820	187	4,670
Other	457	11,425	398	9,959
	2,222	**55,554**	**1,663**	**41,574**
Bonds by sector				
Corporate	402	10,043	451	11,276
UK Government	85	2,130	157	3,917
Other	58	1,441	-	-
	545	**13,614**	**608**	**15,193**
Property by type				
UK property	438	10,958	442	11,038
Overseas property	45	1,118	15	369
	483	**12,076**	**456**	**11,408**
Private equity	**150**	**3,762**	**112**	**2,801**
Other investment funds				
Equities	232	5,810	1,333	33,330
Bonds	-	-	-	-
Hedge funds	-	-	-	-
Commodities	-	-	-	-
Infrastructure	-	-	73	1,824
Other	442	11,049	573	14,325
	674	**16,859**	**1,979**	**49,478**
Derivatives	**-**	**-**	**-**	**-**
Total assets	**4,119**	**102,976**	**4,852**	**121,312**

51.9. Basis for Estimating Assets and Liabilities

Both the Police Scheme and the Local Government Scheme liabilities have been assessed by Hymans Robertson (an independent firm of actuaries). The value of the liabilities is an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc.

For the Local Government Pension Scheme, liabilities have been assessed on an actuarial basis using the projected unit method. Estimates are based on the latest full valuation of the scheme as at 31 March 2016.

For the police schemes (both the 1987 Police Pension Scheme and the 2006 new Police Pension Scheme) liabilities have been assessed on an actuarial basis. The last formal valuations of the schemes were carried out as at 31 March 2013. The results of this valuation have been projected forward to 31 March 2017 using approximate methods.

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The roll forward allows for changes in financial assumptions, additional benefit accruals, estimate cash-flows over the period and updated membership information.

	Local Government Pension Scheme		Police Pension Scheme	
	2015/16	**2016/17**	**2015/16**	**2016/17**
Mortality assumptions	Longevity at 65		Longevity at 60	
	Years	Years	Years	Years
Longevity for current pensioners:				
Men	22.2	22.1	29.5	30.2
Women	24.2	24.4	31.7	31.7
Longevity for future pensioners:				
Men	24.5	24.1	31.1	31.6
Women	26.8	26.6	33.2	33.2
Financial assumptions	**%**	%	**%**	%
Market derived RPI	3.2	3.4	3.2	3.4
Rate of increase in salaries	3.7	2.8	3.2	3.4
Rate of increase in pensions	2.2	2.4	2.2	2.4
Rate for discounting scheme liabilities	3.5	2.6	3.5	2.6

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above.

The sensitivity analysis has been determined based on possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated.

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51.10. Present Value of Liabilities

	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000
Present value of liabilities						
Local government pension scheme	(95,281)	(117,898)	(127,503)	(155,899)	(145,804)	(173,150)
Police pension scheme	(839,500)	(969,500)	(1,067,700)	(1,260,900)	(1,100,800)	(1,280,300)
Fair value of assets in the local government pension scheme	71,990	85,271	88,239	99,719	102,976	121,312
Surplus / (deficit) in the scheme	**(862,791)**	**(1,002,127)**	**(1,106,964)**	**(1,317,080)**	**(1,143,628)**	**(1,332,138)**
Local government pension scheme	(23,291)	(32,627)	(39,264)	(56,180)	(42,828)	(51,838)
Police pension scheme	(839,500)	(969,500)	(1,067,700)	(1,260,900)	(1,100,800)	(1,280,300)
Total surplus / (deficit) in the scheme	**(862,791)**	**(1,002,127)**	**(1,106,964)**	**(1,317,080)**	**(1,143,628)**	**(1,332,138)**

51.11. Impact on the PCC Group's cash flows

The liabilities show the underlying commitments for retirement benefits that the PCC Group has to pay in the long run. The total liability has a substantial impact on the net worth of the Group as recorded in the Balance Sheet, resulting in a negative overall balance. However, statutory arrangements for funding the deficit mean that the financial position of the Group remains healthy.

The objectives of the local government scheme are to keep employers' contributions at as constant a rate as possible. The PCC Group has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. At the last triennial valuation it was agreed that in order to mitigate for the effect of fluctuations in membership numbers that a lump sum contribution towards meeting the deficit would also be paid alongside the percentage of pay contribution.

The minimum employer contributions payable over the next year for the PCC Group is 16.3% plus a £948k lump sum payment. Estimated employer's contribution for 2017/18 amount to £2.7m on the Local Government Pension Scheme.

Funding levels are monitored on an annual basis. The triennial valuation was provided on 31 March 2017.

For police pensions, finance is only required to be raised to cover costs as they are paid. As described above, police pension costs are funded by a cash top-up from the Home Office. The top-up is received in July, providing resources for monthly payments to pensioners and lump sums to new pensioners for the remainder of the financial year.

Estimated employer contributions for 2017/18 at 24.2% of pensionable pay amount to £9.5m.

The Local Government Pension Scheme and the Police Pension Scheme take account of the national changes required under the Public Pensions Services Act 2013. Under the Act, the main public service pension schemes may not provide benefits on a final salary basis in relation to service after 31 March 2015. The Act provides for scheme regulations to be made within a common framework, to establish new, career average, revalued earnings schemes to pay pensions and other benefits to certain public servants. For the Local Government Pension Scheme these changes came into operation on 1 April 2014 and for the Police scheme from 1 April 2015.

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Maturity profile of the defined benefit obligation

	LGPS			Police Pension Scheme		
	Liability Split as at 31 March 2017 £000	Liability Split as at 31 March 2017 %	Weighted Average Duration at Previous Formal Valuation £000	Liability Split as at 31 March 2017 £000	Liability Split as at 31 March 2017 %	Weighted Average Duration at Previous Formal Valuation £000
Active Members	74,690	43.2%	25.0	485,300	39.4%	25.8
Deferred Members	46,767	27.0%	26.9	50,200	4.1%	27.2
Pensioner Members	51,527	29.8%	12.2	695,000	56.5%	12.0
Total	**172,984**	**100.0%**	**20.6**	**1,230,500**	**100.0%**	**18.1**
Contingent Injuries				24,200	48.6%	25.8
Injury pension liabilities				25,600	51.4%	15.7
Total				**49,800**	**100.0%**	**20.6**

52. Contingent Liabilities

Legal claims against the PCC Group

A number of legal claims are being pursued against the Group. They are all being rigorously defended.

- The claims are motor, public liability, employer's liability and employment tribunal cases brought against the Group.
- It is not expected that any material awards will be made against the Group other than those already included in the Provisions.
- As with any legal claim, the final outcome and timing of each case will depend upon many factors, some of which had not been determined at the Balance Sheet date.
- The Group will be reimbursed for any costs which exceed the insurer's excess for an individual case.

There are also three other specific matters which currently have the potential to impact the Force;

- An Employment Tribunal ruling in relation to Source Handlers and overtime payment claims, made between May 2009 and May 2012, has identified 13 potential officers who are affected. Whilst the value of the liability cannot yet be accurately determined, and so no provision has yet been made, £250K has been set aside in earmarked reserves to meet the liability when the final amount has been agreed
- A national review of Undercover Policing is taking place. This relates to national issues and it is possible that significant costs will be incurred by the Force.
- The Chief Constable of Lincolnshire, (along with other Chief Constables and the Home Office), currently has 58 claims lodged against them with the Central London Employment Tribunal. The claims are in respect of alleged unlawful discrimination arising from the Transitional Provisions in the Police Pension Regulations 2015. The Tribunal is unlikely to consider the substance of the claims until 2017. Legal advice suggests that there is a strong defence against these claims. The quantum and who will bear the cost is also uncertain, if the claims are partially or fully successful and therefore at this stage it is not practicable to estimate the financial

impact. For these reasons, no provision has been made in the 2016/17 Accounting Statements.

53. Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

Categories of Financial Instruments - Group / PCC	Long-term		Current	
	2015/16 £000	2016/17 £000	2015/16 £000	2016/17 £000
Investments				
Loans and receivables - Short Term Investments	-	-	4,000	-
Total Investments	**-**	**-**	**4,000**	**-**
Cash				
Loans and receivables	-	-	3,932	6,198
Total cash	**-**	**-**	**3,932**	**6,198**
Debtors				
Loans and receivables	-	-	11,546	11,717
Total debtors	**-**	**-**	**11,546**	**11,717**
Borrowings				
Financial liabilities at amortised cost - PWLB	12,037	11,197	1,137	960
Financial liabilities at amortised cost - Deferred Liabilities	156	104	52	52
Total borrowings	**12,193**	**11,301**	**1,189**	**1,012**
Creditors				
Financial liabilities at amortised cost	-	-	13,992	16,495
Total creditors	**-**	**-**	**13,992**	**16,495**

The Police and Crime Commissioner is exposed to minimum risk. Any short-term deposits are included in the cash and cash equivalents note 27.

Financial Liabilities consists of borrowing with the Public Works Loan Board (PWLB) and Deferred Liabilities. Total PWLB outstanding at 31 March 2017 is £12.2m.

Total Deferred Liabilities outstanding at 31 March 2017 is £0.156m. These represent the balance of loans outstanding as at 31 March 1995 which were transferred to the new Police Authority as established under the Police and Magistrates' Court Act 1994. The loans are administered by Lincolnshire County Council on behalf of the PCC. Repayments of £52k were made in 2016/17.

No additional borrowing took place in 2016/17. Repayments of the principal were made totalling £1.008 million and a decrease in loan interest accrual of £0.006 million, This decreased the PCC's borrowing from £13.4m to £12.3m in the year.

The debtors and creditors figures have been adjusted for non-contractual obligations. For debtors these are VAT debtors, Statutory Maternity Pay debtors, payments in advance, grant income and collection fund adjustments. For creditors these are receipts in advance, tax and NI and collection fund adjustments. There are no concerns over the recoverability debtors that are past due and not impaired.

Group / PCC	Range of interest rates payable %	As at March 31 2016 £000	As at March 31 2017 £000
PWLB	3.69 - 8.25	(13,175)	(12,157)
Transferred Debt - Lincolnshire CC	Variable	(208)	(156)
		(13,383)	**(12,313)**

A full analysis of loans by maturity is shown in note 54 under 'liquidity risk exposure'.

Income, Expense, Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

Income, Expense, Gains and Losses Group / PCC	2015/16			2016/17		
	Financial Liabilities Measured at amortised cost	Financial Assets Loans and receivables	Total	Financial Liabilities Measured at amortised cost	Financial Assets Loans and receivables	Total
	£000	£000	£000	£000	£000	£000
Interest expense	(616)	-	(616)	(566)	-	(566)
Total expense in Surplus or Deficit on the Provision of Services	**(616)**	**-**	**(616)**	**(566)**	**-**	**(566)**
Interest Income	-	62	62	-	41	41
Total income in Surplus or Deficit on the Provision of Services	**-**	**62**	**62**	**-**	**41**	**41**
Net gain/(loss) for the year	**(616)**	**62**	**(554)**	**(566)**	**41**	**(525)**

Fair Values of Assets and Liabilities

Financial liabilities and financial assets are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions

- The fair value of PWLB has been calculated by reference to the 'premature repayment' set of rates as at 31 March 2017;
- No early repayment or impairment is recognised
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value; and
- Deferred liabilities have been accounted for on the basis of outstanding principal amounts as defined by statutory arrangements.

Financial Liabilities

The fair values calculated are as follows:

Financial liabilities - Group / PCC	2015/16		2016/17	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
PWLB	13,175	16,455	12,157	15,501
Deferred Liabilities	208	208	156	156
Current Creditors	13,992	13,992	16,495	16,495

The fair value of PWLB loans is more than the carrying amount because the PCC's portfolio of loans is based on fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date.

The table above excludes other Financial Liabilities such as cash overdrawn and other liabilities. The carrying amount as shown in the Balance Sheet is assumed to approximate to fair value, as the instrument will mature in the next 12 months.

The fair value of Public Works Loan Board (PWLB) loans of £15.5k measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the [additional/reduced] interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

However, the PCC has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets. A supplementary measure of the movement in interest that the PCC will pay as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. The PCC review the carrying amounts and potential penalty charge for early redemption regularly to ensure that opportunities to make savings through re-financing are maximised. Currently the penalty charges are much higher than the savings that would be made through current interest rates.

Financial Assets

The fair values calculated are as follows:

Loans and receivables - Group / PCC	2015/16		2016/17	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Receivables - Investments	4,000	4,000	-	-
Receivables - Current Debtors	11,546	11,546	11,717	11,717
Receivables - Cash	3,932	3,932	6,198	6,198
Capital Grants / Receipts in Advance	-	-	-	-

54. Nature and Extent of Risks arising from Financial Instruments

Credit Risk Exposure

This is the risk that one party to a financial instrument will fail to meet their contractual obligations, causing a loss for the other party. Exposure to this risk is managed through the PCC's detailed Treasury Management Strategy, which is available at the following web address: www.lincolnshire-pcc.gov.uk/finance.

The PCC only invests in approved institutions with secure credit ratings, there are also limits in place on how much can be invested with counterparties. These counterparties are reviewed weekly, and the loan limits are detailed in the table below.

Specified Investments	Max % of total investments/£ limit per institution	Max. maturity period
DMADF - UK Government	100%	1 year
Money market funds	£4m each	1 year
Local Authorities	£4m each	1 year
Term deposits with banks and building societies	£4m each	3months - 1 year

The PCC does not allow extended credit for customers. Due to the nature of the debtors being principally relating to Government funding, there are no concerns about their credit worthiness. The amounts not impaired are analysed by age as follows:

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Sales Ledger - Aged Debt Analysis	2015/16	2016/17
	£000	£000
Current	8,968	6,195
Up to one month	113	16
Up to six months	109	32
Up to one year	4	2
More than one year	32	29
Total:	**9,227**	**6,274**
Other debtors	2,319	5,443
Total:	**11,546**	**11,717**

Note that this table shows the aged debt analysis from the trade debtors account, with all other debtors included at the 'Other Debtor' line.

Liquidity Risk Exposure

This is the risk that a party will be unable to raise funds to meet its commitments associated with financial instruments. As the PCC currently has ready access to borrowings from the Public Works Loan Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the PCC will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The financial liabilities however all mature at different times. The maturity analysis of financial liabilities is as follows:

2015/16 Borrowing	**PWLB**	**Deferred Liabilities**	**Total**
	£000	**£000**	**£000**
Less than 1 year	1,137	52	1,189
Between one and two years	840	52	892
Between two and five years	2,503	104	2,607
More than five years	8,695	-	8,695
Total	**13,175**	**208**	**13,383**

2016/17 Borrowing	**PWLB**	**Deferred Liabilities**	**Total**
	£000	**£000**	**£000**
Less than 1 year	960	52	1,012
Between one and two years	840	52	892
Between two and five years	2,476	52	2,528
More than five years	7,881		7,881
Total	**12,157**	**156**	**12,313**

This excludes trade and other payables (creditors and other liabilities) which are due to be paid in less than one year.

Market Risk Exposure

Market risk is the risk that the value of an instrument will fluctuate because of changes in interest rates, market prices and foreign currency exchange rates. The PCC has limited risk. PWLB interest rates are fixed, and no short-term investments were held at the end of 2016/17. The PCC does not invest in equity shares and has no financial assets or liabilities in foreign currencies.

The following sensitivity analysis shows that as at 31 March 2016 and as at 31 March 2017, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

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	2015/16 £000	2016/17 £000
Increase in interest payable on variable rate borrowings	2	2
Increase in interest receivable on variable rate investments	-	-
Impact on Surplus or Deficit on the Provision of Services	**2**	**2**
Decrease in fair value of fixed rate investment assets	-	-
Impact on Other Comprehensive Income and Expenditure	**2**	**2**
Decrease in fair value of fixed rate borrowings (no impact on the Surplus or Deficit on the Provision of Services)	**(1,360)**	**(953)**

The impact of a 1% fall in interest rates would be as above but with the movements being reversed. The variable rate borrowings referred to are the deferred liabilities, transferred debt from Lincolnshire County Council and the variable rate investments are the short-term investments. The fixed rate borrowings are the PWLB borrowings. The sensitivity analysis for both years has been prepared using the same method.

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Police Officer Pensions - Home Office Memorandum Account

2016/17

This statement shows the transactions relating to retirement benefits paid to Police Officers and how those costs are paid for.

2015/16 £000	Fund account	2016/17 £000
	Contributions Receivable	
	From Employer:	
9,200	Normal	9,063
376	Early Retirements	288
132	Recovery from PCC for Humberside	102
	From Members:	
5,226	Contributions	5,125
760	Individual Transfers in from Other Schemes	81
15,694		**14,659**
	Benefits Payable	
29,677	Pensions	30,251
4,914	Commutations	5,992
84	Lump Sum Death Benefits	-
4,305	GAD Revised Commutations and Interest	61
	Payments To and On Account of Leavers	
4	Refunds of Contributions	23
15	Individual Transfers Out	186
185	Scheme Pays	154
	Equivalent Premium	-
39,184		**36,667**
23,490	**Sub-total for the year before transfer from the PCC Group for Lincolnshire of amount equal to the deficit**	**22,008**
(23,490)	**Additional funding payable by the PCC Group for Lincolnshire to meet deficit for the year**	**(22,008)**
-	**Net Amount payable/(receivable) by the PCC Group for Lincolnshire**	-

Disclosure Notes

1. The operation of the Pension Fund for Police and Crime Commissioners in England and Wales is controlled by the Police Pension Fund Regulations 2007 (SI 2007 No 1932). It covers both old, new and Career Average Revalued Earnings (CARE) Police Officer occupational pension schemes but has no impact on the benefit structure of either scheme. The CARE scheme was introduced from 1 April 2015. This is the only scheme open to new officers. Existing officers will be brought into the scheme on 1 April 2015 unless they have full transitional protection or tapered protection. Injury and ill health awards continue to be paid from the PCC's operating account. The employer contribution rate is 24.2% of pensionable pay. Employees' contributions in the 1987 old scheme are either 14.25% or 15.05% of pensionable pay. In the 2006 new scheme employees contribute either 11%, 12.05% or 12.75% of pensionable pay. In the 2015 CARE scheme employees contribute either 12.44%, 13.44% or 13.78% of pensionable pay.

2. The fund is administered locally by Lincolnshire Police. Salary deductions are made from members of the scheme, and payments are made to retiring officers and pensioners in accordance with Police Pension Fund Regulations 2007. Returns are made to the Home Office for the projected and actual costs in each year, and funds are transferred accordingly.

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3. There are no investment assets; the fund is balanced to nil each year by receipt of a pension top up grant from the Home Office (via PCC for Lincolnshire). Payments are made monthly to pensioners, with the pension fund entries being kept separate, outside of the PCC's general ledger accounts. Details of the PCC's long-term pension obligations can be found in the main statements at Note 51.
4. The accounting policies followed are in accordance with Note 1.
5. The Police Officer Pensions - Home Office Memorandum Account does not take account of liabilities to pay pensions and benefits after the period end.
6. The net amount receivable of £5,032,200 is shown in PCC for Lincolnshire accounts as due from the Home Office.

2015/16 £000	Net Asset Statement as at 31 March	2016/17 £000
	Net Current Assets and Liabilities	
-	Pension benefits paid in advance	**2,557**
-	Receivable from PCC for Humberside	**-**
-	Creditors to the PCC for Lincolnshire	**(2,557)**
-	**Total**	-

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Glossary of Terms

Term	Definition
Accrual	An adjustment to ensure that expenditure and income are reflected in the appropriate accounting period.
Actuary/Actuarial	A person professionally qualified to advise on pension matters and undertakes calculations on pension costs, allowing for risk and demographic factors.
Amortisation	The measure of the wearing out, consumption, or other reduction in the useful economic life of Intangible Assets.
Audit Report	The Audit Commission are an independent body charged with auditing public sector organisations to ensure that proper stewardship is undertaken.
Back Rest Days	Due to the rescheduling of rest days Police Officers may accrue untaken rest days which they may accumulated over a number of years.
Balances	The total revenue Reserves required to provide a working balance during the financial year, for example in periods when expenditure exceeds income.
Capital Adjustment Account	A reserve primarily designed to represent timing differences between the amount of the historical cost of Property Plant and Equipment that has been consumed and the amount that has been financed in accordance with statutory requirements.
Capital Expenditure	Expenditure on assets, which have a long term value. Includes the purchase of land, purchase or construction of new buildings and vehicles.
Capital Grants	Grants received towards capital outlay on a particular service or project.
Capital Receipts	Proceeds received from the sale of Property Plant and Equipment (assets which have value beyond one financial year).
CIPFA	The Chartered Institute of Public Finance and Accountancy. This is the main professional body for accountants working in the public service.
Collection Fund	A fund administered by each billing Authority. Council tax monies are paid into the fund. These are distributed to precepting and billing Authority's in proportion to the council tax set.
Creditors	Amounts owed by the PCC for work done, goods received or services rendered but for which payment has not been made at 31 March.
Debtors	Sums of money due to the PCC but unpaid at 31 March.
Depreciation	The measure of the wearing out, consumption, or other reduction in the useful economic life of Property, Plant and Equipment.
Direct Revenue Financing	This refers to financing of capital expenditure directly from revenue rather than loans or other sources.
Earmarked Reserves	The elements of total PCC's Reserves, which are retained for specific purposes.
EMCJS	East Midlands Criminal Justice Service
EMOpSS	East Midlands Operational Support Service
EMSOU	East Midland Special Operations Unit
Finance lease	Where the conditions of the lease amount to recognising all the costs of an asset but legal title is with a third party.
Financial instruments	Financial instruments are contracts that give rise to a financial asset of one entity and a financial liability of another. For local authorities, this will normally mean contracts which involve the right to transfer cash or other financial assets
Flexi Time	Police Staff may utilise the flexi time scheme to accrue additional hours worked that are held pending their utilisation at a future date.

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FRS	Financial Reporting Standards, as agreed by the UK accountancy profession and the Accounting Standards Board.
Government Grants	Payments by Central Government towards the PCC's expenditure. They are receivable in respect of both revenue and capital expenditure.
IFRS	International Financial Reporting Standards: the accounting standards which determine the production and disclosure of financial statements.
Impairment	An adjustment to the value of long-term assets.
ISG	Integrated Scheme of Governance
JIAC	Joint Independent Audit Committee
Long Term Debtors	Sums of money due to the PCC originally repayable within a period in excess of twelve months and where payment is not due until future years.
Materiality	An item that is not material will not be relevant, cannot influence a user's decision and need not be reported in the financial statements.
Minimum Revenue Provision (MRP)	The statutory requirement to set aside a minimum revenue provision for the repayment of external loans.
Net Book Value	Long-term assets are depreciated in accordance with their asset life. The net book value is the value remaining after cumulative depreciation has been taken away.
Non Domestic Rates	Rates levied on business properties, collected by District Councils, which are then distributed amongst local authorities as income.
Non Operational Assets	Property, Plant and Equipment held by the PCC Group but not directly occupied, used or consumed in the delivery of services. These will include buildings under construction and surplus assets.
OJEU	Official Journal of the European Union
Operating lease	A lease where the asset is only used for part of its useful life, and lease payments amount to rental of the asset.
PCC Group	The Police and Crime Commissioner and the Chief Constable are separate legal entities. They are part of the same PCC Group whose combined accounts are presented collectively.
PEEL	Police effectiveness, efficiency and legitimacy board.
Precept	The amount levied by one authority which is collected by another. e.g. the PCC Group is the precepting authority and the District Councils are the collecting authorities.
PWLB	Public Works Loan Board, a body providing debt funding to local authorities.
Revaluation Reserve	A reserve designed to represent the amount by which the current value of long-term assets carried in the Balance Sheet is greater, because they are carried at revalued amounts rather than depreciated historical cost.
Revenue Contributions	The financing of capital expenditure directly from revenue rather than from loans or other sources.
Revenue Expenditure	The day to day expenditure of the PCC group on such items as employees and equipment.
Revenue Support Grant (RSG)	Grant paid by Central Government in aid of service provision.
Section 22 Agreement	Section 22 of the Police Act 1996 provides for joint working between police forces and/or Police & Crime Commissioners where, in the opinion of the Chief Constable or the Commissioner, collaboration would deliver greater efficiency or effectiveness.
Straight Line Depreciation	The writing down of Property, Plant and Equipment values by an equal amount for each year of that asset's life.

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TOIL	Time Off In Lieu may be accrued by both Police Officers and Staff when working additional hours for which payment is not made.
WYPF	West Yorkshire Pension Fund
Virement	Transfers between budget headings, in accordance with Financial Regulations, reflecting changes in the PCC's expenditure plans.

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